

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
JULY 24, 2013
APPLICATION SUMMARY**

NAME OF PROJECT: Medical Care, PLLC

PROJECT NUMBER: CN1303-006

ADDRESS: 1500 West Elk Avenue
Elizabethton (Carter County), TN 37643

LEGAL OWNER: Medical Care, PLLC
1500 West Elk Avenue
Elizabethton (Carter County), TN 37643

OPERATING ENTITY: Pine Palms Management, LLC
401 E. Main Street
Johnson City, TN 37601

CONTACT PERSON: Rachel C. Nelley, Attorney
(615) 274-4838

DATE FILED: March 13, 2013

PROJECT COST: \$838,543

FINANCING: Commercial Loan

REASON FOR FILING: Initiation of magnetic resonance imaging (MRI)
services

DESCRIPTION:

Medical Care, PLLC is seeking approval for the initiation of magnetic resonance imaging services in a physician office located at 1500 West Elk Avenue in Elizabethton, (Carter County), TN.

SPECIFIC CRITERIA AND STANDARDS REVIEW:

MAGNETIC RESONANCE IMAGING (MRI)

I. Utilization Standards for non-Specialty MRI Units.

- a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2,160 MRI procedures in the first year of service, building to a minimum of 2,520 procedures per year by the second year of service, and building to a minimum of 2,880 procedures per year by the third year of service and for every year thereafter.

The applicant projects 2,756 MRIs during the first year of operation and 2,894 MRIs during the second year of operation. The applicant's methodology to project the number of scans is discussed on pages 12-13 of this summary.

It appears that the application meets this criterion.

- b. Providers proposing a new non-Specialty mobile MRI service should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

This criterion is not applicable to the proposed project.

- c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

An exception was not requested. The proposed scanner is an 8 year old reconditioned unit that will be upgraded.

Medical Care, PLLC

1303-006

July 24, 2013

PAGE 2

- d. Mobile MR1 units shall not be subject to the need standard in paragraph 1 b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's Service Area are not adequate and/or that there are special circumstances that require these additional services.

This criterion is not applicable to the proposed project.

- e. Hybrid MRI Units. The HSDA may evaluate a CON application for an MRI "hybrid" Unit (an MRI Unit that is combined/utilized with medical equipment such as a megavoltage radiation therapy unit or a positron emission tomography unit) based on the primary purposes of the Unit.

This criterion is not applicable to the proposed project.

2. Access to MR1 Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

Ninety-six (96) percent of the patients of the applicant's existing clinic reside in the proposed service area.

It appears that the application meets this criterion.

3. Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

Medical Care, PLLC

1303-006

July 24, 2013

PAGE 3

The applicant considered the possibility of establishing a mobile MRI service but discovered significant build-out costs for modifications and limited physical space ruled out this option.

The applicant states Sycamore Shoals Hospital is the only current MRI provider in Carter County. The applicant indicates this facility has not been willing to partner in radiology services in the past.

It appears that the application meets this criterion.

4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3,600 procedures, or 2,880 procedures, during the most recent twelve month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 5 days per week x 50 weeks per year = 3,600 procedures per year

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

There are seventeen (17) providers of MRI services in the service area with twenty-two (22) total MRI units. In 2012 the average utilization of the MRI units in the service area was 2,482 scans per unit.

Since the average utilization of existing MRI units in the service area did not attain the 2,880 procedure standard, it appears that this application does not meet this criterion.

5. Need Standards for Specialty MRI Units.

It appears that these criteria are not applicable to this application.

6. Separate Inventories for Specialty MRI Units and non-Specialty MRI Units.

It appears that these criteria are not applicable to this application.

7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

- a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

The applicant provides documentation concerning FDA approval of the proposed MRI unit.

It appears that this application does meet this criterion.

- b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The applicant provides documentation of conformity of federal standards and assurances of manufacturer's specifications.

It appears that this application will meet this criterion.

- c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

The applicant states that it will adhere to protocols and practices set forth in the American College of Radiology (ACR) document ACR

Medical Care, PLLC

1303-006

July 24, 2013

PAGE 5

Guidance document for Safe MR Practices: 2007. The applicant indicates a physician will be on the premises while patients are being scanned and MRT technicians will be trained in emergency response procedures. A crash cart will be available and maintained at all times.

It appears that this application will meet this criterion.

- d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant indicates by following ACR Magnetic Resonance Imaging Guidelines it will be assured that all clinical MRI procedures performed are medically necessary and will not unnecessarily duplicate other services.

It appears that the application will meet this criterion.

- e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

The applicant states that Medical Care, PLLC will adhere to the staffing recommendations and requirements of the ACR. The application indicates that staffing will include two full time MRI technologists.

It appears that this application will meet this criterion.

- f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

It appears that the applicant intends to be accredited by the American College of Radiology within the first year of accreditation.

Medical Care, PLLC

1303-006

July 24, 2013

PAGE 6

- g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff

The applicant will use IPC, a local hospitalist group, for any hospital admissions. IPC maintains privileges and access to all area hospitals in the Mountain States Health Alliance (MSHA) as well as Wellmont inpatient facilities. A letter dated March 7, 2013 from IPC is provided in Attachment C.1.a. MRI Standards and Criteria 7.g. It is unclear if the applicant's arrangement with its physician medical director specifies that said physician be an active member of the subject transfer agreement hospital staff.

It appears that the application will not meet this criterion.

- h. The applicant must provide supervision and interpretation by a board certified radiologist or physician demonstrating experience and training in the relevant imaging procedure, with certification by the appropriate regulatory board.

Medical Care, PLLC will use National Diagnostic Imaging (NDI) for its MRI interpretations. NDI radiologists are board certified, fellowship trained and licensed in Tennessee.

It appears that the application will meet this criterion.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

The applicant states that Medical Care, PLLC will submit all

Medical Care, PLLC

1303-006

July 24, 2013

PAGE 7

information required.

It appears that the application will meet this criterion.

9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

With the exception of Sullivan County, the applicant reports all of the counties comprising the applicant's service area are designated as medically underserved areas (MUA) by the United States Health Resources and Services Administration. In Washington County, the applicant reports only the Bethesda Division Service Area is deemed an MUA.

It appears that the application will meet this criterion.

- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

The applicant is not a hospital. It appears that this criterion is not applicable to this application.

- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

The applicant contracts with TennCare Select, BlueCare and United Healthcare Community Plan and participates in the Medicare program.

It appears that the application will meet this criterion.

- d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric,

Medical Care, PLLC

1303-006

July 24, 2013

PAGE 8

special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard

The applicant states elderly and pediatric patients accounts for approximately one-third of all patients at Medical Care, PLLC. The applicant also provides care to mentally and physically disabled children in state custody, brain injured patients and adults with intellectual and developmental disabilities. The applicant states these patients typically require longer preparation and scanning times, but does not anticipate the additional time per scan will impact the need standard for MRI scans.

It appears that these criteria are not applicable to this application since the applicant does not anticipate the need standard for MRI scans will be negatively affected.

SUMMARY:

The applicant, Medical Care, PLLC states that it is a multispecialty medical practice with seventeen (17) physicians and fourteen (14) physician extenders in specialties that include family practice, general practice, internal medicine, general surgery, gynecology, and pediatrics with office locations in Elizabethton, Hampton, and Johnson City, Tennessee. The proposed MRI will be located within the existing radiology department of the Elizabethton, TN (Carter County) location and will occupy 674 square feet of space. The applicant notes the Elizabethton site of Medical Care, PLLC is located across the street from Sycamore Shoals Hospital.

Medical Care, PLLC is a family owned professional limited liability company whose members are Arnold Hopland, MD (33.33%), Jeffery Hopland, MD (33.33%), and Kenneth Hopland, MD (33.33%). The three physician owners currently practice at Medical Care, PLLC.

The space for the proposed MRI will be leased from Pine Palms Management, LLC. The applicant indicates Pine Palms Management, LLC (formerly known as Medical Care, LLC) owns all the assets utilized by the medical practice of Medical Care, PLLC, including real estate and equipment and is described as a closely held family business. The owners of Pine Palms Management are Dr. Arnold Hopland, MD (20%), Steven Hopland (20%), Jeffrey Hopland, MD (20%), Jennifer Whaley (20%), and Kenny Hopland, MD (20%). Pine Palms

Medical Care, PLLC

1303-006

July 24, 2013

PAGE 9

Management, LLC owns the 120,000 square foot building located at 1500 West Elk Avenue, Elizabethton (Carter County), TN in which the proposed MRI will be located. The applicant occupies approximately 45,000 square feet of the building with the remaining 48,000 square feet being leased to businesses primarily in the medical services industry.

The applicant intends to purchase an 8 year old reconditioned short bore GE Signa Excite 1.5 Tesla MRI unit. The applicant indicates the reconditioned unit is expected to have an additional 7 years of life. The applicant states the 1.5 Signa Excite MRI is currently upgradeable through upgraded software and computers. The MRI is certified for clinical use by the FDA (Federal Drug Administration). The proposed schedule of operations is 7:00 a.m. to 7:00 p.m., Monday through Friday and 9:00 a.m. to 5:00 p.m. on Saturday.

The applicant states that since 96% of the Clinic's patients reside in Carter, Johnson, Sullivan, Unicoi and Washington counties these five counties were chosen as the primary service area.

According to the Department of Health population projections based on U.S. census 2010 data, the five county service area population is estimated to be 380,676 in 2013 and projected to grow to 391,226 in 2017, a 2.8% increase. The total population in Tennessee overall is also expected to grow 3.7% during this time frame. The range of the rate of growth by county is -.2% in Johnson County to 6.2% in Washington County. HSDA identifies 62,256 TennCare enrollees in the service area which is equivalent to 16.4% of the population. The range of TennCare enrollees as a % of total population by county is 14.8% in Washington County to 21.5% in Johnson County. The TennCare enrollees as % of total population for Tennessee overall in June 2012 was 18.6%.

Utilizing the data from the HSDA Medical Equipment Registry, the following chart reports historical utilization of MRI units located within the service area.

Historical Service Area Distribution & Utilization of MRIs

County	Facility	Facility Type	# Units (2012)	2010 Procs.	2011 Procs.	2012 Procs.	'10-'12 % change	2012 % Util.
Carter	Sycamore Shoals Hospital	H	1 Fixed	2,026	1,958	2,014	-.6%	69.9%
Johnson	Johnson County Community Hospital	H	1 mobile P/T	256	274	308	+20.3%	12.8%

Medical Care, PLLC

1303-006

July 24, 2013

PAGE 10

Sullivan	Appalachian Orthopaedic Associates - Kingsport	PO	1 fixed	1,293	1,460	----	----	----
Sullivan	Appalachian Orthopaedic Associates, PC	PO	1 fixed	365	288	268	-26.6%	9.3%
Sullivan	Bristol Regional Medical Center	H	2 fixed	6,168	6,447	6,578	+6.6%	114%
Sullivan	Holston Valley Imaging Center, LLC	ODC	3 fixed	8,025	8,362	8,792	9.6%	98.2%
Sullivan	Holston Valley Medical Center	H	1 fixed	3,624	3,774	3,514	-3%	122%
Sullivan	Indian Path Medical Center	H	1 fixed (2 fixed in 2010)	2,700	2,651	3,000	+11%	104%
Sullivan	Meadowview Outpatient Diagnostic Center	ODC	1 fixed	5,258	4,457	4,484	-14.7%	156%
Sullivan	Sapling Grove Imaging, LLC (Wellmont)	H- Imaging	1 fixed	536	349	150	-72%	5.2%
Sullivan	Sapling Grove Outpatient Diagnostic Center	ODC	1 fixed	2,116	2,587	2,309	9.1%	80.2%
Sullivan	Volunteer Parkway Imaging Center	HODC	1 fixed	1,193	1,327	1,348	+13%	46.8%
Unicoi	Unicoi County Memorial Hospital, Inc.	H	1 fixed	959	1,630	1,164	+21.4%	40.4%
Washington	Appalachian Orthopaedic Associates - Johnson City	PO	1 fixed	521	546	357	-31.5%	12.4%
Washington	Franklin Woods	H	1 fixed	1,635	3,546	3,499	+114%	121%

Medical Care, PLLC

1303-006

July 24, 2013

PAGE 11

	Community Hospital							
Washington	Johnson City Medical Center	H	2 fixed	6,596	7,247	7,237	+9.7%	+126%
Washington	Mountain States Diagnostic Center (Final Year)	ODC	2 fixed	2,485	---	---	---	---
Washington	Mountain States Imaging at Med Tech Pkwy	ODC	1 fixed	2,066	2,738	2,697	+30.5%	93.6%
Washington	North Side Hospital (Final Year)	H	1 fixed	916	---	---	---	---
Washington	Watauga Orthopaedics, PLC	PO	1 fixed	2,927	2,748	2,415	-17.5%	83.9%
	TOTAL		21	51,665	52,389	50,134	-2.9%	86.3%

Source: HSDA Medical Equipment Registry

H=Hospital, ODC=Outpatient Diagnostic Center, PO=Physician Office

*Based on utilization standard of 2,880 procedures, State Health Plan. Utilization is calculated based on the number of providers reporting their units and their utilization

**Appalachian Orthopaedic Associates-Kingsport sold their MRI in May 2012.

The table above illustrates that there are currently twenty (20) full-time and one (1) part-time MRI scanners located at 17 different providers in the service area. On average all the MRI units in 2012 are operating at -13.7% below the State Health Plan MRI utilization standard. The MRI utilization in the service area ranges from (94.8%) below the standard of 2,880 procedures per year at Sapling Grove Imaging, LLC-Wellmont (Sullivan County) to 56% above the standard at Meadowview Outpatient Diagnostic Center (Sullivan County). Overall, MRI utilization decreased by approximately -2.9% for service area providers between 2010 and 2013.

The applicant projects the proposed MRI unit will provide 2,756 MRI scans during the first year of operation and 2,894 MRI scans during the second year of operation.

The applicant bases these projections on the following:

Medical Care, PLLC

1303-006

July 24, 2013

PAGE 12

Internal Direct ordered MRI (1,248 procedures)

- The physicians at Medical Care, PLLC directly order an average of 80 MRI studies per month (960 MRI studies annually through the practice's electronic medical record (EMR) system). In addition, the applicant estimates 288 MRI studies annually are directly ordered by Medical Care, PLLC physicians but are not captured by the EMR system.

Neurology/Neuroscience Patients (1,002 procedures)

- The applicant estimates it refers 600 patients annually for MRI services to Northeast Tennessee Associates Neurology, an average of 210 MRI patients annually to East Tennessee Brain and Spine and 192 patients annually to other neurologists for MRI studies.

Orthopedic Patients (506 procedures)

- The applicant states 422 orthopedic patients are referred annually for initial MRI with 84 needing a repeated MRI.

The applicant states the patients of Medical Care, PLLC experienced wait times as long as several weeks for non-emergency MRI studies. The applicant indicates per current policy at Sycamore Shoals Hospital, non-emergent cases must be scheduled at least three (3) business days in advance of the scan in order to allow ample time for patients to secure financial clearance. The applicant states Mountain States Health Alliance (that owns Sycamore Shoals Hospital) recently implemented an up-front 50% payment requirement for any non-emergency imaging procedure and will not make payment options for the initial 50% prior to scheduling tests such as an MRI. The applicant indicates the Mountain States Alliance 50% up-front fee limits access to MRI services not only for cash paying or uninsured patients, but patients with fixed incomes or with high deductible plans. The applicant has provided a letter in Attachment B.I from Mountain States Health Alliance regarding the up-front payment requirement.

The applicant also mentions MSHA has elected not to participate in the CIGNA insurance plan. The applicant estimates approximately 15% of the Medical Care, PLLC patients has CIGNA insurance. The applicant indicates those patients with CIGNA insurance must travel outside of the MSHA service area to obtain in-network diagnostic tests.

The applicant plans to use certified MRI technicians and will plan to hire 2 FTE's in Year One increasing to 2.5 FTE's in Year Two.

Medical Care, PLLC

1303-006

July 24, 2013

PAGE 13

The proposed average gross MRI charge is \$1,585/procedure. The average deduction is \$692/procedure, producing an average net medical imaging charge of \$893/procedure. The average gross charge per procedure is \$2,594 for MRI at the seventeen existing MRI providers in the service area. The average gross charge per MRI provider is presented in the table below.

**Gross MRI Charges/Procedure
Proposed Five County Service Area, 2012**

Facility	Provider Type	County	Gross MRI Charge
Sycamore Shoals Hospital	H	Carter	\$4,099
Johnson County Community Hospital	H	Johnson	\$3,986
Appalachian Orthopaedic Associates, PC	PO	Sullivan	\$1,064
Bristol Regional Medical Center	H	Sullivan	\$2,511
Holston Valley Imaging Center, LLC	ODC	Sullivan	\$2,644
Holston Valley Medical Center	H	Sullivan	\$2,353
Indian Path Medical Center	H	Sullivan	\$4,133
Meadowview Outpatient Diagnostic Center	ODC	Sullivan	\$875
Sapling Grove Imaging, LLC (Wellmont)	H-Imaging	Sullivan	\$2,624
Sapling Grove Outpatient Diagnostic Center	ODC	Sullivan	\$818
Volunteer Parkway Imaging Center	HODC	Sullivan	\$2,473
Unicoi County Memorial Hospital, Inc.	H	Unicoi	\$1,624
Appalachian Orthopaedic Associates - Johnson City	PO	Washington	\$1,062
Franklin Woods Community Hospital	H	Washington	\$4,131
Johnson City Medical Center	H	Washington	\$4,185
Mountain States Imaging at Med Tech Parkway	ODC	Washington	\$4,065
Watauga Orthopaedics, PLC	PO	Washington	\$1,445
Area Average			\$2,594

Source: HSDA Medical Equipment Registry

The difference between the applicant's gross charge of \$1,585 for MRI services and other service area providers ranges between \$875 and \$4,185 per gross

Medical Care, PLLC

1303-006

July 24, 2013

PAGE 14

charge. There are three physician offices (PO) in the five county service area comparable to the applicant that averaged a gross charge of \$1,190 per MRI procedure in 2012.

Per the Projected Data Chart, the MRI will generate \$4,367,020 in gross revenue on 2,756 procedures in the first year of the project, increasing to 2,894 procedures and \$4,585,688 in gross revenue in year two. After contractual adjustments, charity care/bad debt and operating expenses, the proposed ODC will generate an \$827,047 (\$300.10/scan) favorable margin during the first year of operation, an amount equal to approximately 18.9% of gross operating revenues. The second year's operating margin will be \$860,404, or 18.8% of gross operating revenues.

The Medical Care, PLLC Historical Data Chart revealed net operating income less capital expenditures of (-\$1,341,440) in FY 2010, \$1,199,549 in FY 2011, and \$4,359,081 in FY 2012.

The total estimated project cost is \$838,543, including \$3,500 in Architectural and Engineering Fees, \$15,000 in Legal, Administrative Consultant Fees, \$5,000 for Preparation of Site, \$130,220 for Construction Costs and Contingency, \$426,984 in Fixed Equipment, \$18,000 in Moveable Equipment Costs, \$117,950 for Facility Fees, \$118,889 Reserve for One Year's Debt and \$3,000 for CON filing fees.

A letter dated March 8, 2013 from Design Build Construction, LLC indicates the proposed MRI project will conform to all applicable federal, state and local construction codes, standards, specifications and licensure requirements.

The applicant will fund the project through a \$675,000 loan from the State of Franklin Bank located in Johnson City, TN. The term of the loan is 60 months at a 5% interest rate. A copy of the January 4, 2013 letter outlining financing from the State of Franklin Bank is located in Attachment C. Economic Feasibility.

The applicant provided an audited financial statement (compilation report) for the period ending September 30, 2012. According to the information provided, Medical Care, PLLC operated with a current ratio of 1.25:1 for the reporting period. Total current assets totaled \$473,525.25 while current liabilities totaled \$378,613. Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

The applicant has submitted the required information on corporate documents, lease, MRI Equipment Quote, FDA approval, detailed population and MRI utilization statistics, Emergency Procedures Plan, staff job descriptions, and ACR Practice Guidelines. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency's office.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, pending or denied applications, or outstanding Certificates of Need for this applicant.

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for other health care organizations proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME
(07/03/13)

LETTER OF INTENT



2013 MAR 8 AM 10 01

LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Elizabethton Star which is a newspaper of general circulation in Carter, Tennessee, on or before March 8, 2013 for one day.

(County) (Name of Newspaper) (Month / day) (Year)

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

Medical Care, PLLC

professional private practice

(Name of Applicant)

(Facility Type-Existing)

owned by: Medical Care, PLLC

with an ownership type of professional limited liability company

and to be managed by: Pine Palms Management, LLC intends to file an application for a Certificate of Need for [PROJECT DESCRIPTION BEGINS HERE]:

initiation of magnetic resonance imaging (MRI) services to its patients at 1500 West Elk Avenue in Elizabethton, Carter County, Tennessee. The project costs are \$838,543. The project does not include the acquisition of major medical equipment, will not require facility licensure and affects no licensed inpatient bed complements.

The anticipated date of filing the application is: March 13, 2013

The contact person for this project is Rachel C. Nelley, Esq.

Attorney

(Contact Name)

(Title)

who may be reached at: Nelley & Company, PLLC

PO Box 150731

(Company Name)

(Address)

Nashville

TN

37215

(615) 274-4838

(City)

(State)

(Zip Code)

(Area Code / Phone Number)

Rachel C. Nelley

(Signature)

03-06-2013

(Date)

rachel@nelleycompany.com

(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
The Frost Building, Third Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

COPY-
Application

Medical Care,
PLLC

CN1303-006

1. **Name of Facility, Agency, or Institution**

Medical Care, PLLC

2013 MAR 13 AM 8 49

Name

1500 West Elk Avenue

Street or Route

Elizabethton

City

TN

State

Carter

County

37643

Zip Code

2. **Contact Person Available for Responses to Questions**

Rachel C. Nelley

Name

Attorney

Title

Nelley & Company, PLLC

Company Name

rachel@nelleycompany.com

Email address

PO Box 150731

Street or Route

Nashville

City

TN

State

37215

Zip Code

Attorney

Association with Owner

(615) 274-4838

Phone Number

(615) 730-6545

Fax Number

3. **Owner of the Facility, Agency or Institution**

Medical Care, PLLC

Name

(423) 431-0527

Phone Number

1500 West Elk Avenue

Street or Route

Carter

County

Elizabethton

City

TN

State

37643

Zip Code

4. **Type of Ownership of Control (Check One)**

A. Sole Proprietorship

B. Partnership

C. Limited Partnership

D. Corporation (For Profit)

E. Corporation (Not-for-Profit)

F. Government (State of TN or
Political Subdivision)

G. Joint Venture

H. Limited Liability Company

I. Other (Specify)

PLLC

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. **Name of Management/Operating Entity (If Applicable)**

Pine Palms Management, LLC

Name

401 E. Main Street

Street or Route

Johnson City

City

TN

State

County

37601

Zip Code

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. **Legal Interest in the Site of the Institution (Check One)**

A. Ownership

☐

D. Option to Lease

☐

B. Option to Purchase

☐

E. Other (Specify)

☐☐

C. Lease of 5 Years

☒

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

7. **Type of Institution (Check as appropriate--more than one response may apply)**

A. Hospital (Specify)

☐

I. Nursing Home

☐B. Ambulatory Surgical Treatment
Center (ASTC), Multi-Specialty☐

J. Outpatient Diagnostic Center

☐

C. ASTC, Single Specialty

☐

K. Recuperation Center

☐

D. Home Health Agency

☐

L. Rehabilitation Facility

☐

E. Hospice

☐

M. Residential Hospice

☐

F. Mental Health Hospital

☐N. Non-Residential Methadone
Facility☐

G. Mental Health Residential

☐

O. Birthing Center

☐

Treatment Facility

☐

P. Other Outpatient Facility

☐H. Mental Retardation Institutional
Habilitation Facility (ICF/MR)☐

Q. Other (Specify) Physician

☒

Office

8. **Purpose of Review (Check) as appropriate--more than one response may apply)**

A. New Institution

☐

G. Change in Bed Complement

B. Replacement/Existing Facility

☐[Please note the type of change
by underlining the appropriate
response: Increase, Decrease,
Designation, Distribution,
Conversion, Relocation]☐

C. Modification/Existing Facility

☐

D. Initiation of Health Care

Service as defined in TCA §
68-11-1607(4)

(Specify) MRI

☒

H. Change of Location

☐

E. Discontinuance of OB Services

☐

I. Other (Specify)

☐

F. Acquisition of Equipment

☐

9. Bed Complement Data*Please indicate current and proposed distribution and certification of facility beds.*

	<u>Current Beds</u>		<u>Staffed</u>	<u>Beds</u>	<u>TOTAL</u>
	<u>Licensed</u>	<u>*CON</u>	<u>Beds</u>	<u>Proposed</u>	<u>Beds at Completion</u>
A. Medical	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
B. Surgical	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
C. Long-Term Care Hospital	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
D. Obstetrical	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
E. ICU/CCU	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
F. Neonatal	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
G. Pediatric	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
H. Adult Psychiatric	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
I. Geriatric Psychiatric	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
J. Child/Adolescent Psychiatric	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
K. Rehabilitation	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
L. Nursing Facility (non-Medicaid Certified)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
M. Nursing Facility Level 1 (Medicaid only)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
N. Nursing Facility Level 2 (Medicare only)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
P. ICF/MR	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Q. Adult Chemical Dependency	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
R. Child and Adolescent Chemical Dependency	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
S. Swing Beds	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
T. Mental Health Residential Treatment	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
U. Residential Hospice	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
TOTAL	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

*CON-Beds approved but not yet in service

10. Medicare Provider Number
 Certification Type

11. Medicaid Provider Number
 Certification Type

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid?

13. Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract. The MCOs with which the applicant has contracted are identified on the next page (Page 3-A).

Discuss any out-of-network relationships in place with MCOs/BHOs in the area. See page 3-A.

Section A, Applicant Profile**13. Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.**

The TennCare MCOs operating in the proposed service area (Carter, Washington, Sullivan, Johnson and Unicoi Counties) are BlueCare, TennCare Select and UnitedHealthcare Community Plan.

Will this project involve the treatment of TennCare participants?

Yes.

If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

The Applicant has contracts with BlueCare, TennCare Select and UnitedHealthcare Community Plan.

SECTION B: PROJECT DESCRIPTION

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.**

Medical Care, PLLC (the "Applicant") seeks a certificate of need to acquire a GE Signa Excite 1.5 Tesla stationary magnetic resonance imaging ("MRI") scanner system and initiate MRI services to its patients. In 2011, Medical Care, PLLC saw a total of 23,483 patients. 10,754 (45.79%) of the patients resided in Carter County. 8,856 (37.71%) of the patients resided in Washington County. 1,333 (5.68%) of the patients resided in Sullivan County. 911 (3.88%) of the patients resided in Johnson County. 771 (3.28%) of the patients resided in Unicoi County. 858 (3.65%) of the patients resided outside the proposed service area. Accordingly, the proposed service area is comprised of Carter, Washington, Sullivan, Johnson and Unicoi Counties in Tennessee. With the exception of Sullivan County, all of the counties comprising the Applicant's service area -- Carter, Johnson, Unicoi and Washington -- are designated as medically underserved areas ("MUA") by the United States Health Resources and Services Administration.

Medical Care, PLLC, a NCQA¹ certified level 3 Patient Centered Medical Home², is a multi-specialty medical practice with 17 physicians and 14 physician extenders in specialties that include family practice, general practice, internal medicine, general surgery, gynecology and pediatrics with office locations in Elizabethton, Hampton and Johnson City, in Tennessee. The proposed MRI will be located at the Elizabethton office, which is conveniently located on Highway 67 across the street from Sycamore Shoals Hospital at 1500 West Elk Avenue in Elizabethton, Carter County, Tennessee, and will occupy 674 square feet of space (currently being used for storage) in the medical practice's existing radiology department. The space for the MRI will be leased from Pine Palms Management, LLC.

Medical Care, PLLC is a family owned professional limited liability company whose members are Arnold Hopland, MD (33.33%), Jeffrey Hopland, MD (33.33%), and Kenneth Hopland, MD (33.33%). The physician owners are all duly licensed in Tennessee and practice at Medical Care, PLLC.

Pine Palms Management, LLC (formerly known as Medical Care, LLC), which owns all of the assets utilized by the medical practice of Medical Care, PLLC, including real estate and equipment, is also a closely held family business. Its owners are Dr. Arnold Hopland, MD

¹ National Committee for Quality Assurance ("NCQA") is a private, 501(c)(3) not-for-profit organization which manages voluntary accreditation programs for individual physicians, health plans, and medical groups. In Tennessee, all plans contracting with TennCare (Medicaid) must be NCQA Accredited.

² Blue Cross Blue Shield (BCBS) of Tennessee is a formal sponsor of the NCQA Patient-Centered Medical Home ("PCMH") Recognition program. Level 3 designation by NCQA is the highest achievable recognition for a medical group. NCQA's Patient Centered Medical Home program recognizes physician practices that prioritize the strengthening of the physician-patient relationship, coordinate care for patients across multiple settings, and engage in a team approach to improving patient care.

(20%), Steven Hopland (20%), Jeffrey Hopland, MD (20%), Jennifer Whaley (20%) and Kenny Hopland, MD (20%).

Pine Palms Management, LLC owns the 120,000 square foot building located at 1500 West Elk Avenue in which the proposed MRI will be housed. Medical Care, PLLC occupies approximately 45,000 square feet of space in the building. The remaining 48,700 square feet of office space in the building is or will be leased to other businesses primarily in the medical services industry. Current tenants include Amedysis home health, Amedysis hospice care, Physical Therapy Services, and Wellmont CVA Heart Institute. Future tenants evidenced by letters of intent include Aeroflow (a DME company), Solstas Lab Services, a sleep lab as well as practices specializing in allergy and asthma, neurology, and pulmonology. The building includes a 22,000 square foot parking garage.

During the first year of operation, Medical Care, PLLC estimates that it will perform 2,756 MRI scans. Medical Care, PLLC has grown consistently over the past 15+ years and anticipates continued annual growth of 5-10%. Its MRI utilization projections for each year following its initial year in operation assume a conservative 5% growth.

In 2011, the average utilization of providers in all the counties comprising the Applicant's service area excluding Johnson County, which has only a mobile scanner that operates 2 days per month, was 2208. Excluding private physician offices and a standup MRI, the 2011 average utilization of providers in this area (Carter, Washington, Sullivan, and Unicoi counties) was 2725.

The Applicant's patients experience many days' waiting time for scheduled MRI service, particularly in Carter County where 45.79% of its patients reside. Per current policy at Sycamore Shoals Hospital, the sole existing MRI provider in Carter County, and other Mountain States Health Alliance owned facilities, in order to "allow ample time for [its] patients to secure financial clearance," non-emergent cases must be scheduled at least three (3) business days in advance of the scan. See letter from Mountain States Health Alliance included as Attachment B.I. For non emergency MRI studies, Medical Care, PLLC providers have seen their patients have to wait several weeks to be scheduled locally or have to drive to a facility outside the county in order to have the MRI scheduled sooner. These waits underscore the need to add capacity in the community.

Approval of the project would result in patients experiencing shorter wait time and improved convenience. The ability of the practice to control exam scheduling and results reporting will expedite the diagnosis and treatment of Medical Care, PLLC patients, thereby improving patient outcomes.

The current outpatient MRI market in the Applicant's service area is strongly dominated by Mountain States Health Alliance ("MSHA"), which owns Sycamore Shoals Hospital in Carter County (the sole MRI provider in Carter County), all MRI units available to outside patients in Washington County (Johnson City Medical Center in Washington County, Franklin Woods Community Hospital in Washington County and Mountain States Imaging at Med Tech Parkway in Washington County), is the sole MRI provider in Johnson County (Johnson County

Community Hospital – mobile unit operating only 2 days per month), and owns Indian Path Medical Center in Sullivan County. MSHA is in the process of acquiring Unicoi County Memorial Hospital and has already taken over operational management and financial responsibility at the sole MRI provider in Unicoi County. No viable competitors exist in Carter, Johnson, Washington and Unicoi Counties. 90.66% of the Applicant's patients reside in these counties.

The lack of competition in the service area has reduced access, increased costs and not encouraged efficiencies. The market dominance of Mountain States Health Alliance in the Applicant's service area has generated an access issue for patients of Medical Care, PLLC not solely related to scheduling delays. Mountain States Health Alliance recently implemented an up-front 50% payment requirement for any nonemergency imaging procedure and has been unwilling to make payment options available for the initial 50% prior to scheduling tests such as MRI. See letter from Mountain States Health Alliance included as Attachment B.I. In 2011, the average charge per MRI scan in Carter County was \$3,776.74 (in 2010, it was \$3,483.01). The 50% up-front payment requirement imposed by Mountain States Health Alliance limits access to MRI services not only for cash paying or uninsured patients, but patients with fixed incomes or with high deductible health plans. Medical Care, PLLC has seen multiple patients choose to forego recommended diagnostic imaging due to the large up-front payment requirement imposed by Mountain States Health Alliance. Additionally, Mountain States Health Alliance has elected not to be in network with CIGNA insurance company, a plan offered by several large employers in the area. Employees with CIGNA insurance must travel outside the Mountain States Health Alliance service area to obtain in-network diagnostic tests. Approximately 15% of the Medical Care, PLLC patients with private insurance have Cigna.

Competitors of Mountain States Health Alliance exist in Sullivan County, but only 5.68% of the Applicant's patients reside in Sullivan County and all but one (1) of the MRI providers available to the Applicant's patients are operating at or above capacity -- Bristol Regional Medical Center's scanners each averaged 3223.5 scans in 2011; Holston Valley Medical Center's scanner averaged 3774 scans in 2011; Holston Valley Imaging Center saw 8362 scans (2787.3 per scanner) in 2011; Meadowview Outpatient Diagnostic Center experienced 4457 scans in 2011 (5258 in 2010) using 1 fixed scanner; Sapling Grove Outpatient Diagnostic Center saw 2587 scans in 2011. Volunteer Parkway Imaging Center, located in Bristol, Tennessee, experienced 1327 scans in 2011, but, in order to access this scanner, patients of Medical Care, PLLC would have to travel 21 miles (about a 35 minute drive) from Elizabethton. The only other option would be to travel 21 miles to Erwin, Tennessee to Unicoi County Memorial Hospital (whose MRI utilization in 2011 was 1630 in 2011) for a scan. Only 3.28% of the Applicant's patients reside in Unicoi County. Further, as mentioned above, MSHA is in the process of acquiring Unicoi County Memorial Hospital and has already taken over operational management and financial responsibility.

The total cost of the project is estimated to be \$838,543. This includes the purchase and installation of the GE Signa Excite 1.5 Tesla stationary MRI scanner system, RF shielding, computers, cosmetic finishing of the space, a new HVAC system and additional electrical service and furnishings.

Financing for the project will be accomplished with cash reserves and a bank loan.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and /or renovation of the facility (exclusive of major medical equipment covered by T.C.A. 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Please also discuss and justify the cost per square foot for this project.**

This project does not involve construction costs in excess of \$2 million and is not a hospital project. Rather, it involves the renovation of approximately 674 square feet of leased space located on the first floor of the medical office building housing the Elizabethton location of the medical practice of Medical Care, PLLC (which occupies 45,000 sq. ft. of space) located at 1500 West Elk Avenue in Elizabethton, Tennessee. Medical Care, PLLC proposes to convert existing storage space into an MRI suite. An existing exterior doorway will be removed during construction to allow for installation of the MRI magnet and equipment. An RF shield will be assembled by National MRI Shielding within the existing 25.5' by 17.5' existing room. The electrical contractor will add 3 phase 480 volt electric supply from the adjacent electrical room and coordinate the connection to MRI power supply with the MRI equipment installer. The electrician will also install an MRI approved nonmetallic lighting system. The HVAC contractor will install a new HVAC system as recommended by the MRI manufacturer to adequately control the temperature in the MRI suite. The general contractor will install, finish & paint drywall inside the RF shielded room along with drop ceiling and trim. The total estimated construction cost to modify the existing 674 square feet is \$80,220. This is a construction cost of \$119 per square foot. This entire cost is associated with modification / renovation of existing space.

The proposed MRI suite will include: a 446 square foot RF shielded MRI magnet room, a 140 square foot MRI mechanical equipment room, and an 88 square foot MRI tech/operator room. The existing adjacent radiology department includes a separate exterior entrance, patient bathroom, reception area for patient check in/out, patient waiting area, patient changing rooms, and imaging modality rooms for x-ray, CT, mammography, ultrasound, and nuclear medicine. The total radiology department including the proposed MRI is 4,300 SF.

The cost for the cosmetic finishing of the space for the project is projected by the contractor to be \$5,000. The cost for electrical service and lighting will have an estimated cost of \$15,000. The applicant will acquire some furniture and office equipment at an approximate cost of \$3,000. The new HVAC system and electrical service will cost \$20,000. RF shielding enclosure of the MRI room is expected to cost \$30,220. The total cost per square foot is \$119 per square foot.

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and or redistributed by this application.

Not applicable

C. As the Applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. **Magnetic Resonance Imaging (MRI)**
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

Medical Care, PLLC proposes to initiate magnetic resonance imaging (MRI) services using a GE Signa Excite 1.5 Tesla magnetic resonance imaging ("MRI") scanner with short bore magnet for patients of the medical practice.

Current MRI utilization

Historically, the physicians at Medical Care, PLLC directly order an average of 80 MRI studies per/month (960 MRI studies annually) through the practice's electronic medical record (EMR) system. Additionally, the practice estimates that 24 MRI studies per month (288 MRI studies annually) are directly ordered by the physicians at Medical Care, PLLC but are not captured by the EMR system as they are hand written orders or telephone referrals to MRI providers.

$$\text{Internal direct ordered MRI} = 960 + 288 = 1248$$

Medical Care, PLLC also refers patients to neurology / neuroscience specialists for MRIs. If the project is approved, these MRIs would be performed at the medical practice. One of these providers, Northeast Tennessee Associate Neurology, estimates that it receives 50 patient referrals from Medical Care, PLLC per month (600 MRI patients annually) who require MRI

studies. One other provider, East Tennessee Brain & Spine, estimates that it receives 15-20 patient referrals from Medical Care, PLLC per month (180-240 MRI patients annually -- average 210). Medical Care, PLLC estimates that it refers an additional 16 patients per month (192 annually) to other neurologists for MRI studies.

$$\text{neurology / neuroscience patient MRI} = 600 + 210 + 192 = 1002 \text{ studies}$$

In addition, Medical Care, PLLC refers between 75-100 patients per month (or 88 patients on average) to orthopedic specialists. The practice estimates that 40% of these patients will require an MRI for evaluation. Of these patients who require an MRI, the practice estimates that 20% will require an additional MRI post treatment within a year. If this project is approved, Medical Care, PLLC will perform these additional MRI studies on site at the medical practice.

$$\begin{aligned} \text{Initial } 88\text{pts/mo} \times 12\text{mo} \times 40\% &= 422 \text{ initial MRI} \\ 422 \text{ initial MRI} \times 20\% &= 84 \text{ repeat MRI} \\ \text{Total orthopedic referral MRI} &= 506 \text{ studies} \end{aligned}$$

$$\text{Total estimated MRI all sources } (1,248 + 1,002 + 506) = 2,756$$

Future MRI utilization

Medical Care, PLLC has grown consistently over the past 15+ years and anticipates continued annually growth of 5-10%. The MRI will grow consistently with the group and patient volumes.

1st Year estimated MRI studies	2,756
2nd year estimated MRI studies (+5% growth)	2,894
3rd year estimated MRI studies (+5% growth)	3,038
4th year estimated MRI studies (+5% growth)	3,190
5th year estimated MRI studies (+5% growth)	3,350

Timely scheduling of MRI scans for the Applicant's patients is an issue. The Applicant's patients experience many days' waiting time for scheduled MRI service, particularly in Carter County where 45.79% of its patients reside. Per current policy at Sycamore Shoals Hospital, the sole existing MRI provider in Carter County, and other Mountain States Health Alliance owned facilities, in order to "allow ample time for patients to secure financial clearance," non-emergent cases must be scheduled at least three (3) business days in advance of the scan. See letter from Mountain States Health Alliance included as Attachment B.I. For non emergency MRI studies, Medical Care, PLLC providers have seen their patients have to wait several weeks to be scheduled locally or have to drive to a facility outside the county in order to have the MRI scheduled sooner. Unfortunately, patients are confronted with the Mountain States Health Alliance scheduling policy at most facilities in surrounding counties as well.

Mountain States Health Alliance ("MSHA") owns Sycamore Shoals Hospital in Carter County (the sole MRI provider in Carter County), all MRI units available to outside patients in Washington County (Johnson City Medical Center in Washington County, Franklin Woods Community Hospital in Washington County and Mountain States Imaging at Med Tech Parkway in Washington County), the sole MRI provider in Johnson County (Johnson County Community Hospital – mobile unit operating only 2 days per month), and Indian Path Medical Center in

Sullivan County. MSHA is in the process of acquiring Unicoi County Memorial Hospital and has already taken over operational management and financial responsibility at the sole MRI provider in Unicoi County. No viable competitors exist in Carter, Johnson, Washington and Unicoi Counties. 90.66% of the Applicant's patients reside in these counties.

Mountain States Health Alliance recently implemented an up-front 50% payment requirement for any nonemergency imaging procedure and has been unwilling to make payment options available for the initial 50% prior to scheduling tests such as MRI. See letter from Mountain States Health Alliance included as Attachment B.I. In 2011, the average charge per MRI scan in Carter County was \$3,776.74 (in 2010, it was \$3,483.01).

The table below represents the average gross charge in 2011 of all MRI providers in the Applicant's service area. Note the substantial (92%) rate increase faced by patients at Mountain States Health Alliance facilities compared to facilities not owned by Mountain States Health Alliance.

County	Facility	Average Gross Charge in 2011
Carter	Sycamore Shoals Hospital*	\$3,776.74*
Johnson	Johnson County Community Hospital*	\$3,629.35*
Sullivan	Appalachian Orthopaedic Associates – Kingsport	\$1,164.61
Sullivan	Appalachian Orthopaedic Associates, PC	\$1,064.63
Sullivan	Bristol Regional Medical Center	\$2,332.97
Sullivan	Holston Valley Imaging Center, LLC	\$2,553.22
Sullivan	Holston Valley Medical Center	\$2,125.44
Sullivan	Indian Path Medical Center*	\$3,849.93*
Sullivan	Meadowview Outpatient Diagnostic Center	\$1,701.49
Sullivan	Sapling Grove Imaging, LLC (Wellmont)	\$2,598.00
Sullivan	Sapling Grove Outpatient Diagnostic Center	\$1,671.94
Sullivan	Volunteer Parkway Imaging Center	\$2,365.84
Unicoi	Unicoi County Memorial Hospital	\$2,726.90
Washington	Appalachian Orthopaedic Associates – Johnson City	\$1,063.86
Washington	Franklin Woods Community Hospital*	\$3,810.86*
Washington	Johnson City Medical Center*	\$3,853.59*
Washington	Mountain States Imaging at Med Tech Parkway*	\$3,718.22*
Washington	Watauga Orthopaedics, PLC	\$1,410.16
AVERAGE GROSS CHARGE PER PROCEDURE – ALL facilities		\$2,700.78
AVERAGE GROSS CHARGE PER PROCEDURE – owned by Mountain States Health Alliance		\$3,773.12
AVERAGE GROSS CHARGE PER PROCEDURE – NOT owned by Mountain States Health Alliance		\$1,959.99
% increase in average gross charge		92.51%
*and shading indicates ownership by Mountain States Health Alliance		

The 50% up-front payment requirement imposed by Mountain States Health Alliance limits access to MRI services not only for cash paying or uninsured patients, but patients with fixed incomes or with high deductible health plans. Medical Care, PLLC has seen multiple patients

choose to forego recommended diagnostic imaging due to the large up-front payment requirement imposed by Mountain States Health Alliance.

Additionally, Mountain States Health Alliance has elected not to be in network with CIGNA insurance company, a plan offered by several large employers in the area. Employees with CIGNA insurance must travel outside the Mountain States Health Alliance service area to obtain in-network diagnostic tests. Approximately 15% of the Medical Care, PLLC patients with private insurance have Cigna.

Competitors of Mountain States Health Alliance exist in Sullivan County, but only 5.68% of the Applicant's patients reside in Sullivan County and all but one (1) of the MRI providers available to the Applicant's patients are operating at or above capacity -- Bristol Regional Medical Center's scanners each averaged 3223.5 scans in 2011; Holston Valley Medical Center's scanner averaged 3774 scans in 2011; Holston Valley Imaging Center saw 8362 scans (2787.3 per scanner) in 2011; Meadowview Outpatient Diagnostic Center experienced 4457 scans in 2011 (5258 in 2010) using 1 fixed scanner; Sapling Grove Outpatient Diagnostic Center saw 2587 scans in 2011. Volunteer Parkway Imaging Center, located in Bristol, Tennessee, experienced 1327 scans in 2011, but, in order to access this scanner, patients of Medical Care, PLLC would have to travel 21 miles (about a 35 minute drive) from Elizabethton. The only other option would be to travel 21 miles to Erwin, Tennessee to Unicoi County Memorial Hospital (whose MRI utilization in 2011 was 1630 in 2011) for a scan. Only 3.28% of the Applicant's patients reside in Unicoi County. Further, as mentioned above, MSHA is in the process of acquiring Unicoi County Memorial Hospital and has already taken over operational management and financial responsibility.

Making MRI scans available to patients who would otherwise forego the diagnostic procedure and on a more timely basis to patients who would otherwise have to wait days or weeks to obtain a scan improves patient outcomes in both surgical and non surgical cases thereby complementing the medical services currently being provided by the physicians of Medical Care, PLLC and other providers within the community. Offering MRI scans at the same site where other diagnostic modalities are available to Medical Care, PLLC providers for their patients, including x-ray, ultrasound, nuclear medicine, bone densitometry (DXA), mammography and computed tomography (CT), allows for comprehensive coordinated results, control of patient quality of care and service and direct control over cost.

Medical Care, PLLC is one of the four principle primary care physician groups in Qualuable Medical Professionals, LLC, a Medicare Accountable Care Organization (ACO) which is a participant in the Medicare shared savings program. Qualuable Medical Professionals has a triple aim to reform healthcare, namely, to improve service, to improve quality, and to lower costs. The ability to offer MRI services at a site adjacent to Medical Care, PLLC will further all three of these goals by improving coordination of care and quality of outcomes at controlled costs.

Medical Care, PLLC is a NCQA³ certified level 3 Patient Centered Medical Home⁴. In order to obtain this level of certification, the practice achieved the highest level of coordinated proactive patient centered care after being evaluated both onsite and offsite according to NCQA standards, known throughout the healthcare industry as being the most rigorous in evaluating quality of care. Medical Care, PLLC is working closely with several of its primary payers in a partnership to improve patient care (quality) and also to reduce costs. Medical Care, PLLC has increased quality measures significantly by improving patient access including diagnostic testing. For example, traditionally primary care physician offices have a difficult time getting diabetic patients to get an annual diabetic eye exam. There have been many barriers to getting this important, yet underutilized diagnostic test. One barrier was the patient financial impact. Many patients and local optometrists were unaware that the patient's medical benefits would pay for routine diabetic eye exams (different from glasses exam). Other barriers include scheduling and convenience, and poor coordination with local optometrists and ophthalmologists. Medical Care, PLLC has implemented a digital fundus camera and diagnostic system into its offices and is now doing routine diabetic eye exam screening. This change in process has significantly increased patient compliance and in the past year has found three significant previously undetected problems and potentially saved the sight of three patients. This is just one example of how better access along with improved processes and coordination of care can significantly impact patient outcomes and long term cost. Similarly, MRI which is convenient and cost effective can give the providers at Medical Care, PLLC the information they need to treat patients in timely and accurate way. The increase in coordination with specialists translates into reduced patient waiting (which is significant when the patient is suffering in pain, both mental and physical) for proper treatment. Sooner interventions can also reduce severity of illness or disease / injury process.

Medical Care, PLLC is also a participant in One Partner Health Information Exchange (HIE) a program in which Mountain States Health Alliance currently does not participate. One Partner, the local HIE, is designed to share medical information between physicians to improve care and reduce duplication of services. One Partner has over 600 healthcare providers contracted to share patient data. This coordination and collaboration is critical for the future of healthcare. The Applicant will be sharing all patient data associated with imaging studies through One Partner. This improved access to other primary care physicians and specialists is necessary for the continued goal of improved care and decreased costs.

D. Describe the need to change location or replace existing facility. *Not applicable.*

E. Describe the acquisition of any item of major medical equipment (as defined by agency rules and the statute) which exceeds cost of \$1.5million; and/or is a magnetic

³ National Committee for Quality Assurance ("NCQA") is a private, 501(c)(3) not-for-profit organization which manages voluntary accreditation programs for individual physicians, health plans, and medical groups. In Tennessee, all plans contracting with TennCare (Medicaid) must be NCQA Accredited.

⁴ Blue Cross Blue Shield (BCBS) of Tennessee is a formal sponsor of the NCQA Patient-Centered Medical Home ("PCMH") Recognition program. Level 3 designation by NCQA is the highest achievable recognition for a medical group. NCQA's Patient Centered Medical Home program recognizes physician practices that prioritize the strengthening of the physician-patient relationship, coordinate care for patients across multiple settings, and engage in a team approach to improving patient care.

resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed- site major medical equipment (not replacing existing equipment):

a. Describe the new equipment, including:

1. Total cost (as defined by Agency Rule);
2. Expected useful life;
3. List of clinical applications to be provided;
4. Documentation of FDA approval.

The Applicant proposes to initiate magnetic resonance imaging (MRI) services using a reconditioned GE Signa Excite 1.5 Tesla MRI scanner with short bore magnet. A proposal from Oxford Instruments Service, LLC for purchase of the equipment at a cost of \$426,984 [(MRI) \$399,000+(Tax) \$27,984] is attached as Attachment B.II.E.1.a.1. The expected useful life of the machine is 15 years. Since the machine which the Applicant plans to purchase is 8 years old and has been reconditioned it is expected it will have at least another 7+ years of operation. The GE 1.5 Tesla magnet is currently factory upgradeable to equivalent new GE 1.5 Tesla magnets through upgraded software and computers. A list of clinical applications to be provided is included as Attachment B.II.E.1.a.3. Documentation of FDA approval is included as Attachment B.II.E.1.a.4.

b. Provide Current and proposed schedules of operations.

Hours of operation will be 7am until 7pm Monday thru Friday and Saturday 9am until 5pm. The Applicant also plans to be open on all holidays except New Years Day, Memorial Day, Labor Day, 4th July, Thanksgiving Day and Christmas Day.

2. For mobile major medical equipment: Not applicable.

3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

The Applicant intends to purchase GE Signa Excite 1.5 Tesla MRI scanner with short bore magnet for \$399,000.00 from Oxford Instruments Service, LLC. The proposal is included as Attachment B.II.E.1.a.1.

III. (A) Attach a copy of the plot plan of the site on an 8 ½" x 11" sheet of white paper which must include:

1. Size of site (in acres);
2. Location of structure on the site; and
3. Location of the proposed construction.

4. Names of streets, roads or highways that cross or border the site.

A copy of the plot plan of the site is included as Attachment B.III.(A).

(B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

The proposed site of the MRI is 1500 West Elk Avenue, a 4 lane highway also known as Hwy 67 and Hwy 321 that is readily accessible to patients in or traveling to the Elizabethton area. It will be housed within the existing medical practice of Medical Care, PLLC, accessed historically by an average 1,155 patients per month (13,862 annually). West Elk Avenue is the busiest road in Carter County. The building at which the imaging services will be offered has 2 curb cuts directly onto Elk Avenue, along with frontage road from Williams Avenue, where TDOT is currently installing a new traffic light to facilitate better traffic flow. This intersection is also the entrance for Sycamore Shoals Hospital. The Applicant also has rear access to Valley Street and connects to the adjacent shopping center and Hudson Drive.

From Johnson City / Washington County, patients can travel on Hwy 67 (6-7 miles) and see the office on the right. From Unicoi County, patients can travel Hwy 26 north to exit 24 right onto Hwy 67 and then find the office on right. From Bristol / Sullivan County, patients can travel 19E south toward Elizabethton, turn right on Hwy 67, and see the office on the left. From Kingsport / Sullivan County, patients can travel Hwy 26 South to exit 24, turn left on Hwy 67, and find the office on the right.

Elizabethton does not have a public transportation system. Medical Care, PLLC does have regular patient access by TennCare vans & occasional school buses for team sports physicals.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

Please see Attachment B.IV.

V. For a Home Health Agency or Hospice, identify: *Not applicable*.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

Please discuss how the proposed project will relate to the 5 Principals for Achieving Better Health found in the State Health Plan." Please type out each principal and provide a separate response to each one.

1 The Purpose of the State Health Plan is to improve the Health of Tennesseans.

The availability of an alternative MRI provider in Carter County will increase patient access to important diagnostic equipment not readily available to all Carter County and surrounding area patients. Better access and coordinated patient care will improve patient health outcomes. Patients diagnosed sooner can receive faster treatment resulting in better outcomes at lower overall costs.

In Carter County, Tennessee, where the Applicant's proposed MRI will be located, there is currently only one (1) provider offering MRI services, namely, Sycamore Shoals Hospital. According to the 2012 individual facility Joint Annual Report submitted by Sycamore Shoals Hospital, which reflects a reporting period of July 1, 2011 through June 30, 2012, the hospital performed a total of 2,011 MRI scans (142 inpatient plus 1869 outpatient scans). However, according to the 2011 summary Joint Annual Report of Hospitals, only 35.7% of Carter County residents obtained care in Carter county (i.e., at Sycamore Shoals Hospital). 59.5%, the vast majority of Carter County residents, sought care in neighboring Washington County. Mountain States Health Alliance opened Franklin Woods Community Hospital in Washington County in 2010. That same year, Franklin Woods Community Hospital initiated MRI services using a wide-bore 3T scanner. In 2011, MRI utilization at Franklin Woods Community Hospital increased at a rate of 116.88% from 1635 (in 2010) to 3546, according to the trends noted in the provider medical equipment report/registry maintained by the HSDA dated 10/3/2012. Notably, utilization at Sycamore Shoals Hospital decreased from 2526 in 2008 to 1958 in 2011 reflecting a percentage rate of decrease of 22.5 %. Although the price tag is substantially higher to purchase a 3T (at Franklin Woods Community Hospital) compared to a 1.5T (in use at Sycamore Shoals Hospital, the federal reimbursement does not change (though the gross charge per scan at Franklin Woods of \$3527 per scan in 2010 and \$3811 per scan in 2011 is substantially higher than the average gross charge per scan of \$1,959.99 by other area providers not owned by Mountain States Health Alliance. Accordingly, owners of a 3T MRI have an incentive to increase utilization for the newly purchased 3T MRI and decrease utilization for a 1.5 MRI purchased, particularly if the owner can increase its gross charges for a 1.5T scan at a rate of 41.25% from \$2,674 in 2009 to \$3,777 in 2011, as at Sycamore Shoals Hospital.

Mountain States Health Alliance owns all MRI units available to outside patients in Washington County (Johnson City Medical Center in Washington County, Franklin Woods Community Hospital in Washington County and Mountain States Imaging at Med Tech Parkway in Washington County), is the sole MRI provider in Johnson County (Johnson County Community Hospital – mobile unit operating only 2 days per month), and owns Indian Path Medical Center in Sullivan County. MSHA is in the process of acquiring Unicoi County Memorial Hospital and has already taken over operational management and financial responsibility at the sole MRI provider in Unicoi County. No viable competitors exist in Carter, Johnson, Washington and Unicoi Counties. 90.66% of the Applicant's patients reside in these counties.

Competitors of Mountain States Health Alliance exist in Sullivan County, but only 5.68% of the Applicant's patients reside in Sullivan County and all but one (1) of the MRI providers available to the Applicant's patients are operating at or above capacity -- Bristol Regional Medical Center's scanners each averaged 3223.5 scans in 2011; Holston Valley Medical Center's scanner averaged 3774 scans in 2011; Holston Valley Imaging Center saw 8362 scans (2787.3 per scanner) in 2011; Meadowview Outpatient Diagnostic Center experienced 4457 scans in 2011 (5258 in 2010) using 1 fixed scanner; Sapling Grove Outpatient Diagnostic Center saw 2587 scans in 2011. Volunteer Parkway Imaging Center, located in Bristol, Tennessee, experienced 1327 scans in 2011, but, in order to access this scanner, patients of Medical Care, PLLC would have to travel 21 miles (about a 35 minute drive) from Elizabethton. The only other option would be to travel 21 miles to Erwin, Tennessee to Unicoi County Memorial Hospital (whose MRI utilization in 2011 was 1630 in 2011) for a scan. Only 3.28% of the Applicant's patients reside in Unicoi County. Further, as mentioned above, MSHA is in the process of acquiring Unicoi County Memorial Hospital and has already taken over operational management and financial responsibility.

The market dominance of Mountain States Health Alliance in the Applicant's service area has generated an access issue for patients of Medical Care, PLLC. Mountain States Health Alliance recently implemented an up-front 50% payment requirement for any nonemergency imaging procedure and has been unwilling to make payment options available for the initial 50% prior to scheduling tests such as MRI. In 2011, the average charge per MRI scan in Carter County was \$3,776.74 (in 2010, it was \$3,483.01).

The 50% up-front payment requirement imposed by Mountain States Health Alliance limits access to MRI services not only for cash paying or uninsured patients, but patients with fixed incomes or with high deductible health plans. Medical Care, PLLC has seen multiple patients choose to forego recommended diagnostic imaging due to the large up-front payment requirement at Mountain States Health Alliance facilities. The Applicant works with its patients to accommodate their financial situations and offers affordable payment plan options for services that might otherwise be unaffordable in a single payment. In addition to offering MRI services at a rate significantly less than the existing provider in Carter County (ranging between \$1200 and \$2400), Medical Care, PLLC will further reduce the rate by as much as 50% for cash paying or uninsured patients.

The table below represents the average gross charge in 2011 of all MRI providers in the Applicant's service area. Note the substantial (92%) rate increase faced by patients at Mountain States Health Alliance facilities compared to facilities not owned by Mountain States Health Alliance.

County	Facility	Average Gross Charge in 2011
Carter	Sycamore Shoals Hospital*	\$3,776.74*
Johnson	Johnson County Community Hospital*	\$3,629.35*
Sullivan	Appalachian Orthopaedic Associates – Kingsport	\$1,164.61
Sullivan	Appalachian Orthopaedic Associates, PC	\$1,064.63
Sullivan	Bristol Regional Medical Center	\$2,332.97
Sullivan	Holston Valley Imaging Center, LLC	\$2,553.22
Sullivan	Holston Valley Medical Center	\$2,125.44

Sullivan	Indian Path Medical Center*	\$3,849.93*
Sullivan	Meadowview Outpatient Diagnostic Center	\$1,701.49
Sullivan	Sapling Grove Imaging, LLC (Wellmont)	\$2,598.00
Sullivan	Sapling Grove Outpatient Diagnostic Center	\$1,671.94
Sullivan	Volunteer Parkway Imaging Center	\$2,365.84
Unicoi	Unicoi County Memorial Hospital	\$2,726.90
Washington	Appalachian Orthopaedic Associates – Johnson City	\$1,063.86
Washington	Franklin Woods Community Hospital*	\$3,810.86*
Washington	Johnson City Medical Center*	\$3,853.59*
Washington	Mountain States Imaging at Med Tech Parkway*	\$3,718.22*
Washington	Watauga Orthopaedics, PLC	\$1,410.16
AVERAGE GROSS CHARGE PER PROCEDURE – ALL facilities		\$2,700.78
AVERAGE GROSS CHARGE PER PROCEDURE – owned by Mountain States Health Alliance		\$3,773.12
AVERAGE GROSS CHARGE PER PROCEDURE – NOT owned by Mountain States Health Alliance		\$1,959.99
% increase in average gross charge		92.51%
*and shading indicates ownership by Mountain States Health Alliance		

Additionally, Mountain States Health Alliance has elected not to be in network with CIGNA insurance company, a plan offered by several large employers in the area. Employees with CIGNA insurance must travel outside the Mountain States Health Alliance service area to obtain in-network diagnostic tests. Approximately 15% of the Medical Care, PLLC patients with private insurance have Cigna.

Timely scheduling of MRIs for patients at Medical Care, PLLC is also an issue with Mountain States Health Alliance. Per current policy at Sycamore Shoals Hospital, in order to “allow ample time for [its] patients to secure financial clearance,” non-emergent cases must be scheduled at least three (3) business days in advance of the scan. For non emergency MRI studies, Medical Care, PLLC providers have seen their patients have to wait several weeks to be scheduled locally or have to drive to a facility outside the county in order to have the MRI scheduled sooner.

2 Every Citizen should have reasonable access to healthcare.

The availability of an alternative MRI provider in Carter County will improve patient access to important diagnostic testing. According to the 2011 summary Joint Annual Report of Hospitals, only 35.7% of Carter County residents obtained care in Carter county (i.e., at Sycamore Shoals Hospital). 59.5%, the vast majority of Carter County residents, sought care in neighboring Washington County. The Carter County Rescue Squad (local ambulance service) routinely transports patients from Carter County to surrounding hospitals for MRI diagnostic scans. This is both inconvenient and an inefficient use of limited healthcare dollars. Access to more convenient, local diagnostic testing is significantly impeded by the lack of alternative imaging providers in the area who, unlike the sole existing provider, do not impose large up-front prepayment requirements, mandatory waiting periods for scheduling of non-emergent scans and offer in-network care.

If approved, Medical Care, PLLC will accept all patients and forms of insurance including TennCare, Medicare, private insurance, cash, and workers comp and will work with patients to accommodate their financial situations and offer affordable payment plan options for services that might otherwise be unaffordable in a single payment. In addition to offering MRI services at a rate significantly less than the existing provider (ranging between \$1200 and \$2400), the Applicant will further reduce the rate by as much as 50% for cash paying or uninsured patients.

3 The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the state's health care system;

The current outpatient MRI market in the Applicant's service area is strongly dominated by Mountain States Health Alliance. No viable competitors exist in Carter, Unicoi, Johnson, and Washington Counties. This lack of competition has reduced access, increased the cost and not encouraged efficiencies. As an alternative MRI provider, Medical Care, PLLC would serve as much needed competition in the market, which will increase efficiencies and decrease costs while also increasing patient access to quality healthcare.

Medical Care, PLLC is a participant in One Partner Health Information Exchange (HIE) a program in which Mountain States Health Alliance currently does not participate. One Partner, the local HIE, is designed to share medical information between physicians to improve care and reduce duplication of services. One Partner has over 600 healthcare providers contracted to share patient data. This coordination and collaboration is critical for the future of healthcare. The Applicant will be sharing all patient data associated with imaging studies through One Partner. This improved access to other primary care physicians and specialists is necessary for the continued goal of improved care and decreased costs. MRI which is convenient and cost effective can give the providers at Medical Care, PLLC and in the area the information they need to treat patients in a timely and accurate way. The increase in coordination with specialists translates into reduced patient waiting (which is significant when the patient is suffering in pain, both mental and physical) for proper treatment. Sooner interventions can also reduce severity of illness or disease / injury process.

Medical Care, PLLC is also a primary principal in Qualuable, a Medicare approve shared saving plan Accountable Care Organization (ACO). The ACO is funded only by the savings and efficiencies it produces to Medicare patients. The associated financial risk requires the practice to be able to improve care and drive overall healthcare costs down. MRI services at a site adjacent to Medical Care, PLLC and owned and operated by its principals will improve coordination of care and quality of outcomes at controlled costs.

4 Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers; and

Medical Care, PLLC is a NCQA⁵ certified level 3 Patient Centered Medical Home⁶. In order to obtain this level of certification, the practice achieved the highest level of coordinated proactive patient centered care after being evaluated both onsite and offsite according to NCQA standards, known throughout the healthcare industry as being the most rigorous in evaluating quality of care.

Medical Care, PLLC is currently accredited by the American College of Radiology (ACR) for existing imaging modalities of CT and nuclear medicine. Medical Care, PLLC will begin the process to become accredited by ACR immediately following installation of the MRI equipment and training. This ACR accreditation should be completed within the first year of operation and will further signify, inter alia, that the practice is staffed by qualified personnel, has a quality control program and MRI safety policies in place, and that its MRI equipment specifications and performance meet all state and federal requirements.

5 The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.

If this project is approved, Medical Care, PLLC intends to work with National Diagnostic Imaging (NDI) for its MRI interpretations. NDI radiologists are board certified, fellowship trained and licensed in Tennessee. Several have subspecialty in MRI and specifically in neuroradiology. The radiologists meet continuing medical education requirements and maintain current Tennessee licenses.

In addition, Medical Care, PLLC intends to hire 2 radiological technologists with MRI certification.

- a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

MAGNETIC RESONANCE IMAGING (MRI)

Standards and Criteria

1. Utilization Standards for non-Specialty MRI Units.

- a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a

⁵ National Committee for Quality Assurance ("NCQA") is a private, 501(c)(3) not-for-profit organization which manages voluntary accreditation programs for individual physicians, health plans, and medical groups. In Tennessee, all plans contracting with TennCare (Medicaid) must be NCQA Accredited.

⁶ Blue Cross Blue Shield (BCBS) of Tennessee is a formal sponsor of the NCQA Patient-Centered Medical Home ("PCMH") Recognition program. Level 3 designation by NCQA is the highest achievable recognition for a medical group. NCQA's Patient Centered Medical Home program recognizes physician practices that prioritize the strengthening of the physician-patient relationship, coordinate care for patients across multiple settings, and engage in a team approach to improving patient care.

minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

Current MRI utilization

Historically, the physicians at Medical Care, PLLC directly order an average of 80 MRI studies per/month (960 MRI studies annually) through the practice's electronic medical record (EMR) system. Additionally, the practice estimates that 24 MRI studies per month (288 MRI studies annually) are directly ordered by the physicians at Medical Care, PLLC but are not captured by the EMR system as they are hand written orders or telephone referrals to MRI providers.

$$\text{Internal direct ordered MRI} = 960 + 288 = 1248$$

Medical Care, PLLC also refers patients to neurology / neuroscience specialists for MRIs. If the project is approved, these MRIs would be performed at the medical practice. One of these providers, Northeast Tennessee Associate Neurology, estimates that it receives 50 patient referrals from Medical Care, PLLC per month (600 MRI patients annually) who require MRI studies. One other provider, East Tennessee Brain & Spine, estimates that it receives 15-20 patient referrals from Medical Care, PLLC per month (180-240 MRI patients annually -- average 210). Medical Care, PLLC estimates that it refers an additional 16 patients per month (192 annually) to other neurologists for MRI studies.

$$\text{neurology / neuroscience patient MRI} = 600 + 210 + 192 = 1002 \text{ studies}$$

In addition, Medical Care, PLLC refers between 75-100 patients per month (or 88 patients on average) to orthopedic specialists. The practice estimates that 40% of these patients will require an MRI for evaluation. Of these patients who require an MRI, the practice estimates that 20% will require an additional MRI post treatment within a year. If this project is approved, Medical Care, PLLC perform these additional MRI studies at the medical practice.

$$\begin{aligned} \text{Initial } 88\text{pts/mo} \times 12\text{mo} \times 40\% &= 422 \text{ initial MRI} \\ 422 \text{ initial MRI} \times 20\% &= 84 \text{ repeat MRI} \\ \text{Total orthopedic referral MRI} &= 506 \text{ studies} \end{aligned}$$

$$\text{Total estimated MRI all sources } (1,248 + 1,002 + 506) = 2,756$$

Future MRI utilization

Medical Care, PLLC has grown consistently over the past 15+ years and anticipates continued annually growth of 5-10%. The MRI will grow consistently with the group and patient volumes.

1st Year estimated MRI studies	2,756
2nd year estimated MRI studies (+5% growth)	2,894
3rd year estimated MRI studies (+5% growth)	3,038
4th year estimated MRI studies (+5% growth)	3,190
5th year estimated MRI studies (+5% growth)	3,350

- b. Providers proposing a new non-Specialty mobile MRI service should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

Not applicable.

- c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

Not applicable.

- d. Mobile MRI units shall not be subject to the need standard in paragraph 1 b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's Service Area are not adequate and/or that there are special circumstances that require these additional services.

Not applicable.

- e. Hybrid MRI Units. The HSDA may evaluate a CON application for an MRI "hybrid" Unit (an MRI Unit that is combined/utilized with medical equipment such as a megavoltage radiation therapy unit or a positron emission tomography unit) based on the primary purposes of the Unit.

Not applicable.

2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

As indicated above, the Applicant's proposed MRI scanner will be located in the same building where the Elizabethton office of Medical Care, PLLC is located. In 2011, Medical Care, PLLC saw a total of 23,483 patients. 10,754 (45.79%) of the patients resided in Carter County. 8,856 (37.71%) of the patients resided in Washington County. 1,333 (5.68%) of the patients resided in Sullivan County. 911 (3.88%) of the patients resided in Johnson County. 771 (3.28%) of the patients resided in Unicoi County. 858 (3.65%) of the patients resided outside the proposed service area.

At Medical Care, PLLC, the county of origin for patients for the years 2009 through 2011 was as follows:

County	Year		
	2009	2010	2011
Carter	9,557	8,857	9,326
Washington	3,028	2,776	2,264
Sullivan	567	522	514
Johnson	556	536	617
Unicoi	323	304	290
Other	455	393	341
TOTAL	14,486	13,388	13,712

Given the experience of Medical Care, PLLC at the Elizabethton office, the proposed location of the MRI unit will prove accessible to at least 75% of the service area's population.

3. Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

In Carter County, Tennessee, where the proposed MRI will be located, there is currently only one (1) provider offering MRI services, namely, Sycamore Shoals Hospital. This facility has not been willing to partner in radiology services in the past. Further, the Applicant anticipates that continued reliance on this facility for referral of patients of Medical Care, PLLC for imaging presents patient access issues as described elsewhere in this application given the 50% up-front payment requirement, substantial charges for MRI scans at the facility, and out-of-network status for patients with CIGNA insurance. Scheduling delays and inconvenient appointment options would also remain an issue for Medical Care, PLLC patients. Physical separation from other radiology services offered on site by Medical Care, PLLC would continue to prove inconvenient for patients of Medical Care, PLLC if they were to be referred to off site imaging providers.

The Applicant considered the possibility of establishing a mobile MRI service. However, patients would be exposed to the elements (rain & snow etc.) in order to access the mobile unit and would encounter less desirable handicap access (wheelchair lift versus ground level). Additionally, the confined space in a trailer would exacerbate anxiety issues already faced by claustrophobic patients requiring an MRI. The Applicant found that initial cost evaluations associated with the purchase of a fixed magnet would not be avoided with the purchase of a mobile unit as there would be significant build-out costs for modifications to parking, to provide weight support for the trailer, and ensure adequate and appropriate electrical supply. The proposed location would also have limited physical space for parking a mobile trailer close to the current radiology area.

The Applicant believes that its purchase of the reconditioned GE Signa 1.5 Tesla from Oxford Instruments Service, LLC for \$399,000.00 (excluding tax) presents the most advantages in terms of cost savings, increased efficiencies and exposure to financial risk. GE was selected because of the large market dominance in the MRI equipment market. There are many resources for parts and service and GE has a long and stable medical equipment history. The cost of a new comparable 1.5 Tesla MRI is \$1.4 million plus options. GE priced a refurbished 1.5 Tesla MRI for \$500,000. The cost for the MRI from Oxford Instruments Service, LLC is \$1 million less than purchase of a new unit and 20% less than purchasing a refurbished unit through GE. The ongoing maintenance cost for the refurbished MRI is also less than maintenance for a new MRI.

4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelvemonth period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 5 days per week x 50 weeks per year = 3,600 procedures per year

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

The proposed service area is comprised of Carter, Johnson, Unicoi, Sullivan and Washington counties in Tennessee. With the exception of Sullivan County, all of the counties comprising the Applicant's service area -- Carter, Johnson, Unicoi and Washington -- are designated as medically underserved areas ("MUA") by the United States Health Resources and Services Administration. In Johnson, Carter and Unicoi counties, the entire county is designated as a MUA. Carter County and Unicoi County each have only one (1) MRI provider. Johnson County has only one (1) MRI provider, namely, Johnson County Community Hospital, but the MRI unit is mobile (as opposed to fixed) and operates only two (2) days per month.

The combined average utilization of existing MRI providers in all of the counties comprising the service area in 2011 was 1,821. Excluding Johnson County, which only offers mobile MRI service two (2) days per month, the combined average utilization in the proposed service area in 2011 was 2208. Excluding additionally private physician offices and specialty MRIs (i.e., standup or extremity only), the combined average utilization in the proposed service area in 2011 was 2,451. Essentially, the existing providers in the proposed service area were near 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve month period reflected in the provider medical equipment report maintained by the HSDA. (see table below).

County	Facility and Type	Number of MRI Scanners and Type	Total Procedures		
			2009	2010	2011
Washington	Franklin Woods Community Hospital (HOSP)	1 Fixed	0	1635	3546
Washington	Johnson City Medical Center (HOSP)	2 Fixed	5186 (avg. 2593 per scanner)	6596 (avg. 3298 per scanner)	7247 (avg. 3623.5 per scanner)
Washington	Mountain States Imaging at Med Tech Parkway (ODC)	1 Fixed	2162	2066	2738
Washington	Watauga Orthopaedics, PLC (PO)	1 Fixed	3284	2927	2748
Washington	Appalachian Orthopaedic Associates - Johnson City (PO)	1 Fixed	639	521	546
Combined average utilization of existing MRI providers in Washington County in 2011					2,804
Combined average utilization in Washington County excluding PO in 2011					3256
Sullivan	Appalachian Orthopaedic Associates – Kingsport (PO)	1 Fixed	1396	1293	1460
Sullivan	Appalachian Orthopaedic Associates, PC (PO)	1 Fixed	400	365	288
Sullivan	Bristol Regional Medical Center (HOSP)	2 Fixed	5904 (avg. 2952 per scanner)	6168 (avg. 3084 per scanner)	6447 (avg. 3223.5 per scanner)
Sullivan	Holston Valley Imaging Center, LLC (ODC)	3 Fixed	9367 (avg. 3122.3 per scanner)	8025 (avg. 2675 per scanner)	8362 (avg. 2787.3 per scanner)
Sullivan	Holston Valley Medical Center (HOSP)	1 Fixed	4026	3624	3774
Sullivan	Indian Path Medical Center	1 Fixed	2697	2700	2651
Sullivan	Meadowview Outpatient Diagnostic Center	1 Fixed	4440	5258	4457
Sullivan	Wellmont Sapling Grove Imaging, LLC (Stand up MRI) (HImaging)	1 Fixed	656	536	349
Sullivan	Sapling Grove Outpatient Diagnostic Center (ODC)	1 Fixed	2588	2116	2587
Sullivan	Volunteer Parkway Imaging Center (HODC)	1 Fixed	1279	1193	1327
Combined average utilization of existing MRI providers in Sullivan County in 2011					2439
Combined average utilization in Sullivan County excluding standup and PO in 2011					2961
Unicoi	Unicoi County Memorial Hospital, Inc. (HOSP)	1 Fixed	967	959	1630
Combined average utilization of existing MRI providers in Unicoi County in 2011					1630
Johnson	Johnson County Community Hospital (HOSP)	1 Mobile (2 days/month)	255	256	274
Combined average utilization of existing MRI providers in Johnson County in 2011					274
Carter	Sycamore Shoals Hospital (HOSP)	1 Fixed	2276	2026	1958
Combined average utilization of existing MRI providers in Carter County in 2011					1958

5. Need Standards for Specialty MRI Units.

a. **Dedicated fixed or mobile Breast MRI Unit.** An applicant proposing to acquire a dedicated fixed or mobile breast MRI unit shall not receive a CON to use the MRI unit for non-dedicated purposes and shall demonstrate that annual utilization of the proposed MRI unit in the third year of operation is projected to be at least 1,600 MRI procedures (.80 times the total capacity of 1 procedure per hour times 40 hours per week times 50 weeks per year), and that:

1. It has an existing and ongoing working relationship with a breast-imaging radiologist or radiology proactive group that has experience interpreting breast images provided by mammography, ultrasound, and MRI unit equipment, and that is trained to interpret images produced by an MRI unit configured exclusively for mammographic studies; *Not applicable*

2. Its existing mammography equipment, breast ultrasound equipment, and the proposed dedicated breast MRI unit are in compliance with the federal Mammography Quality Standards Act; *Not applicable*

3. It is part of or has a formal affiliation with an existing healthcare system that provides comprehensive cancer care, including radiation oncology, medical oncology, surgical oncology and an established breast cancer treatment program that is based in the proposed service area. *Not applicable*

4. It has an existing relationship with an established collaborative team for the treatment of breast cancer that includes radiologists, pathologists, radiation oncologists, hematologist/oncologists, surgeons, obstetricians/gynecologists, and primary care providers. *Not applicable*

b. **Dedicated fixed or mobile Extremity MRI Unit.** An applicant proposing to institute a Dedicated fixed or mobile Extremity MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Extremity MRI Unit and a CON granted for this use should so state on its face.

Not applicable

c. **Dedicated fixed or mobile Multi-position MRI Unit.** An applicant proposing to institute a Dedicated fixed or mobile Multi-position MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Multi-position MRI Unit and a CON granted for this use should so state on its face. *Not applicable*

6. Separate Inventories for Specialty MRI Units and non-Specialty MRI Units. If data availability permits, Breast, Extremity, and Multi-position MRI Units shall not be counted in the inventory of non-Specialty fixed or mobile MRI Units, and an inventory for each category of Specialty MRI Unit shall be counted and maintained separately. None of the Specialty MRI Units may be replaced with non-Specialty MRI fixed or mobile MRI Units and a Certificate of Need granted for any of these Specialty MRI Units shall have included on its face a statement to that effect. A non-Specialty fixed or mobile MRI Unit for which a CON is granted for Specialty MRI Unit purpose use-only shall be counted in the specific Specialty MRI Unit inventory and shall also have stated on the face of its Certificate of Need that it may not be used for non-Specialty MRI purposes. *Noted*

7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

- a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

See Attachment B.II.E.1.a.4. The proposed MRI Unit has been approved for use by the FDA.

- b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

Appropriate location of the magnet, installation of proper safety mechanisms, and documentation, training and implementation of all appropriate safety policies and procedures applicable in federal standards, manufacturer's specifications and licensing agencies will be established and enforced.

- c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

The Applicant will adhere to the ACR Guidance Document for Safe MR Practices published by the American College of Radiology included in Attachment C.1.a.MRI Standards and Criteria 7.c. A physician will be on premises and technician(s) appropriately trained in emergency response procedures will be present when patients are being scanned. A crash cart stocked with appropriate equipment and medications will be maintained at all times.

- d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

The Applicant will adhere to the ACR Practice Guideline For Performing And Interpreting Magnetic Resonance Imaging (MRI) included in Attachment C.1.a.MRI Standards and Criteria 7.d.

- e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or

is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

The Applicant is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

Medical Care, PLLC will begin the process to become ACR accredited immediately following installation of the MRI equipment and training of staff. This ACR accreditation should be completed within the first year of operation.

g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

Medical Care, PLLC will use IPC, a local hospitalist group, for any necessary hospital admissions. IPC maintains privileges and access to all area hospitals in the Mountain States Health Alliance (MSHA) facilities as well as Wellmont facilities and will cover the Applicant's patients as needed. Please see the letter from IPC included as Attachment C.1.a. MRI Standards and Criteria 7.g.

h. The applicant must provide supervision and interpretation by a board certified radiologist or physician demonstrating experience and training in the relevant imaging procedure, with certification by the appropriate regulatory body

Medical Care, PLLC will use National Diagnostic Imaging (NDI) for its MRI interpretations. NDI radiologists are board certified, fellowship trained and licensed in Tennessee. Several have subspecialty in MRI and specifically in neuroradiology. The radiologists meet continuing medical education requirements and maintain current Tennessee licenses.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

If approved, Medical Care, PLLC will submit all data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No.2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration?**

With the exception of Sullivan County, all of the counties comprising the Applicant's service area -- Carter, Johnson, Unicoi and Washington -- are designated as medically underserved areas ("MUA") by the United States Health Resources and Services Administration. In Johnson, Carter and Unicoi counties, the entire county is designated as a MUA. In Washington County, only the Bethesda Division Service Area is deemed an MUA.

- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or**

Not applicable.

- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or**

The Applicant is the largest TennCare provider in Carter County and already contracts with all TennCare MCOs. The Applicant also participates in the Medicare program. 31.24% of the patients seen at Medical Care, PLLC for the period November 20, 2011 through November 20, 2012, were TennCare enrollees. During the same period 9.49% of the patients seen at Medical Care, PLLC were Medicare enrollees.

In Tennessee, all plans contracting with TennCare (Medicaid) must be accredited by the National Committee for Quality Assurance ("NCQA"), a private, 501(c)(3) not-for-profit organization which manages voluntary accreditation programs for individual physicians, health plans, and medical groups. Medical Care, PLLC is a NCQA certified level 3 Patient Centered Medical Home⁷.

Additionally, Medical Care, PLLC is one of the four principle primary care physician groups in Qualuable Medical Professionals, LLC, a Medicare Accountable Care Organization (ACO) which is a participant in the Medicare shared savings program.

- d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.**

⁷ Blue Cross Blue Shield (BCBS) of Tennessee is a formal sponsor of the NCQA Patient-Centered Medical Home ("PCMH") Recognition program. Level 3 designation by NCQA is the highest achievable recognition for a medical group. NCQA's Patient Centered Medical Home program recognizes physician practices that prioritize the strengthening of the physician-patient relationship, coordinate care for patients across multiple settings, and engage in a team approach to improving patient care.

Medical Care, PLLC is a multi-specialty medical practice with 17 physicians and 14 physician extenders in specialties that include family practice, general practice, internal medicine, general surgery, gynecology and pediatrics. Elderly and pediatric patients account for approximately one-third (1/3) of all patients at Medical Care, PLLC (19% of patients are over 60 years old; 12% of patients are less than 10 years old). As one of the largest TennCare providers, the practice also sees many mentally and physically disabled children in State custody. Further, the practice cares for the brain injured residents of Crumley House and adults with intellectual and developmental disabilities at Dawn of Hope and Envision. All of these patients do typically require longer preparation and scanning times, however, the practice does not anticipate that care of these patients will negatively affect its ability to meet the need standard for MRI scans.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

The project is consistent with the long-range plans of the Applicant as it will enable the physicians at Medical Care, PLLC to provide more comprehensive care to their patients in a more cost effective manner and increase patient access and convenience. Medical Care, PLLC has always focused on patient centered care. Medical Care's motto is "Medical care with a heart" which also ties into the company's heart logo. Medical Care was the first walk-in physician office in Carter County and is open on evenings and weekends. Medical Care has always focused on the highest quality while maintaining cost competitiveness. As medical Care has grown, it has continued to add additional services and become comprehensive in ancillary services which also add to patient convenience and access. The practice implemented its current electronic medical records (EMR) system in 1997 and was one of the first adopters of this technology in Tennessee. The practice has continued to adopt technology which aid in coordination with other physicians through its past partnership in CareSpark and its current participation with One Partner, the local health information exchange (HIE). MRI is the next logical addition in this long term plan to provide high quality, comprehensive services which are accessible and convenient to all patients. Having MRI will also improve patient coordination of imaging services and decrease treatment times. MRI will also allow Medical Care to control costs as we continue to transition from a current fee for service (quantity) reimbursement to a quality based reimbursement models.

Medical Care, PLLC is one of the four principle primary care physician groups in Qualuable Medical Professionals, LLC, a Medicare Accountable Care Organization (ACO) which is a participant in the Medicare shared savings program. Qualuable Medical Professionals has a triple aim to reform healthcare, namely, to improve service, to improve quality, and to lower costs. The ability to offer MRI services at the same site where other diagnostic modalities are available to Medical Care, PLLC providers for their patients, including x-ray, ultrasound, nuclear medicine, bone densitometry (DXA), mammography and computed tomography (CT), will further all three of these goals by resulting in comprehensive coordinated results, control of patient quality of care and service and direct control over cost.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the

service area. Please submit the map on 8 1/2" x 11" sheet white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

The proposed service area is comprised of Carter, Johnson, Unicoi, Sullivan and Washington counties in Tennessee. In 2011, Medical Care, PLLC saw a total of 23,483 patients. 10,754 (45.79%) of the patients resided in Carter County. 8,856 (37.71%) of the patients resided in Washington County. 1,333 (5.68%) of the patients resided in Sullivan County. 911 (3.88%) of the patients resided in Johnson County. 771 (3.28%) of the patients resided in Unicoi County. 858 (3.65%) of the patients resided outside the proposed service area. A county level map of the State of Tennessee marked to reflect the service area is included as Attachment C.3.

4. A. Describe the demographics of the population to be served by this proposal.

The Applicant's proposed service area is comprised of Carter, Johnson, Unicoi, Sullivan and Washington counties in Tennessee. The area is home to roughly 375,468 people, with 57,185 in Carter County, 18,231 in Johnson County, 18,280 in Unicoi, 157,419 in Sullivan, and 124,353 in Washington County in 2011 according to the US Census Bureau.

Compared nationally, there is a low level of diversity in the proposed service area. The racial makeup of the counties in the service area is summarized in the table below:

County	White	Black	American Indian and Alaska Native	Asian	Hispanic or Latino	Persons reporting 2 or more races
Carter	96.7%	1.6%	.2%	.3%	1.6%	1.2%
Johnson	96.4%	2.2%	.2%	.2%	1.6%	.9%
Sullivan	95.4%	2.4%	.3%	.6%	1.6%	1.2%
Unicoi	98.1%	.4%	.4%	.2%	4.1%	1.0%
Washington	92.6%	4.2%	.4%	1.2%	3.0%	1.5%
Tennessee	79.5%	16.9%	.4%	1.5%	4.7%	1.6%
USA	78.1%	13.1%	1.2%	5.0%	16.7%	2.3%
<i>Source: U.S. Census Bureau. State and County Quick Facts: Tennessee. Available at http://quickfacts.census.gov/qfd/states/, Accessed January 21, 2013.</i>						

The service area shows a large elderly population and low median household income compared to Tennessee and the US as well as a lower level of educational attainment compared to the rest of the state and country. Age, gender, high school attainment and median household income data for the counties in the service area in the year 2011 are summarized in the table below:

County	Male	Female	Persons under 18	Persons 65 and over	Median Age	High School Graduate or Higher	Median Household Income (2007-2011)
Carter	48.9%	51.1%	19.9%	17.4%	42.0	78.6%	\$32,148
Johnson	53.7%	46.3%	18.1%	18.6%	42.7	70.1%	\$32,159
Sullivan	48.4%	51.6%	20.3%	19.0%	43.2	82.7%	\$40,572
Unicoi	48.9%	51.1%	20.0%	19.9%	44.6	75.3%	\$35,265
Washington	48.3%	51.7%	19.9%	15.7%	39.3	85.1%	\$42,104

Tennessee	48.7%	51.3%	23.3%	13.7%	39.5	83.2%	\$43,989
USA	49.2%	50.8%	23.7%	13.2%	36.9	85.4%	\$52,762
Source: U.S. Census Bureau. State and County Quick Facts: Tennessee. Available at http://quickfacts.census.gov/qfd/states/ , Accessed January 21, 2013.							

The service area also shows a higher level of unemployment (with the exception of Sullivan and Washington Counties) and population of uninsured compared to the rest of the state and country.

County	2011 Level of Unemployment*	Percent of population under age 65 without health insurance**
Carter	9.1%	19%
Johnson	12.0%	22%
Sullivan	7.7%	15%
Unicoi	9.7%	16%
Washington	7.8%	17%
Tennessee	9.2%	16%
USA	8.9%	11%
*Source: USDA Economic Research Service, available at http://www.ers.usda.gov/data-products/county-level-data-sets/unemployment.aspx		
**Source: University of Wisconsin Population Health Institute and the Robert Wood Johnson Foundation (RWJF), available at www.countyhealthrankings.org		

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Medical Care, PLLC's participation in the TennCare and Medicare programs helps serve the special needs of the service area population, which, as indicated above, shows a large elderly population and low median household income compared to Tennessee and the US as well as a lower level of educational attainment compared to the rest of the state and country. Approval of this project will improve the population's access to diagnostic tests that can improve patient outcomes in both surgical and non surgical cases.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

There are no approved but unimplemented CONs of similar institutions in the service area. The existing MRI providers in the service area, number of scanners and type and utilization for the years 2009, 2010 and 2011 are indicated in the table below (the names of facilities owned or controlled by Mountain States Health Alliance are underlined):

County	Facility and Type	Number of MRI Scanners and Type	Total Procedures		
			2009	2010	2011
Washington	<u>Franklin Woods Community Hospital</u> (HOSP)	1 Fixed	0	1635	3546
Washington	<u>Johnson City Medical Center</u> (HOSP)	2 Fixed	5186 (avg. 2593 per scanner)	6596 (avg. 3298 per scanner)	7247 (avg. 3623.5 per scanner)
Washington	<u>Mountain States Imaging at Med Tech Parkway</u> (ODC)	1 Fixed	2162	2066	2738
Washington	Watauga Orthopaedics, PLC (PO)	1 Fixed	3284	2927	2748
Washington	Appalachian Orthopaedic Associates - Johnson City (PO)	1 Fixed	639	521	546
Combined average utilization of existing MRI providers in Washington County in 2011					2,804
Combined average utilization in Washington County excluding PO in 2011					3256
Sullivan	Appalachian Orthopaedic Associates – Kingsport (PO)	1 Fixed	1396	1293	1460
Sullivan	Appalachian Orthopaedic Associates, PC (PO)	1 Fixed	400	365	288
Sullivan	Bristol Regional Medical Center (HOSP)	2 Fixed	5904 (avg. 2952 per scanner)	6168 (avg. 3084 per scanner)	6447 (avg. 3223.5 per scanner)
Sullivan	Holston Valley Imaging Center, LLC (ODC)	3 Fixed	9367 (avg. 3122.3 per scanner)	8025 (avg. 2675 per scanner)	8362 (avg. 2787.3 per scanner)
Sullivan	Holston Valley Medical Center (HOSP)	1 Fixed	4026	3624	3774
Sullivan	<u>Indian Path Medical Center</u>	1 Fixed	2697	2700	2651
Sullivan	Meadowview Outpatient Diagnostic Center	1 Fixed	4440	5258	4457
Sullivan	Wellmont Sapling Grove Imaging, LLC (Stand up MRI) (HImaging)	1 Fixed	656	536	349
Sullivan	Sapling Grove Outpatient Diagnostic Center (ODC)	1 Fixed	2588	2116	2587
Sullivan	Volunteer Parkway Imaging Center (HODC)	1 Fixed	1279	1193	1327
Combined average utilization of existing MRI providers in Sullivan County in 2011					2439
Combined average utilization in Sullivan County excluding standup and PO in 2011					2961
Unicoi	Unicoi County Memorial Hospital, Inc. (HOSP)	1 Fixed	967	959	1630
Combined average utilization of existing MRI providers in Unicoi County in 2011					1630
Johnson	<u>Johnson County Community Hospital</u> (HOSP)	1 Mobile (2 days/month)	255	256	274
Combined average utilization of existing MRI providers in Johnson County in 2011					274
Carter	<u>Sycamore Shoals Hospital</u> (HOSP)	1 Fixed	2276	2026	1958
Combined average utilization of existing MRI providers in Carter County in 2011					1958

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Current MRI utilization

Historically, the physicians at Medical Care, PLLC directly order an average of 80 MRI studies per/month (960 MRI studies annually) through the practice's electronic medical record (EMR) system. Additionally, the practice estimates that 24 MRI studies per month (288 MRI studies annually) are directly ordered by the physicians at Medical Care, PLLC but are not captured by the EMR system as they are hand written orders or telephone referrals to MRI providers.

$$\text{Internal direct ordered MRI} = 960 + 288 = 1248$$

Medical Care, PLLC also refers patients to neurology / neuroscience specialists for MRIs. If the project is approved, these MRIs would be performed at the medical practice. One of these providers, Northeast Tennessee Associate Neurology, estimates that it receives 50 patient referrals from Medical Care, PLLC per month (600 MRI patients annually) who require MRI studies. One other provider, East Tennessee Brain & Spine, estimates that it receives 15-20 patient referrals from Medical Care, PLLC per month (180-240 MRI patients annually -- average 210). Medical Care, PLLC estimates that it refers an additional 16 patients per month (192 annually) to other neurologists for MRI studies.

$$\text{neurology / neuroscience patient MRI} = 600 + 210 + 192 = 1002 \text{ studies}$$

In addition, Medical Care, PLLC refers between 75-100 patients per month (or 88 patients on average) to orthopedic specialists. The practice estimates that 40% of these patients will require an MRI for evaluation. Of these patients who require an MRI, the practice estimates that 20% will require an additional MRI post treatment within a year. If this project is approved, Medical Care, PLLC perform these additional MRI studies at the medical practice.

$$\text{Initial } 88\text{pts/mo} \times 12\text{mo} \times 40\% = 422 \text{ initial MRI}$$

$$422 \text{ initial MRI} \times 20\% = 84 \text{ repeat MRI}$$

$$\text{Total orthopedic referral MRI} = 506 \text{ studies}$$

$$\text{Total estimated MRI all sources } (1,248 + 1,002 + 506) = 2,756$$

Future MRI utilization

Medical Care, PLLC has grown consistently over the past 15+ years and anticipates continued annually growth of 5-10%. The MRI will grow consistently with the group and patient volumes.

1st Year estimated MRI studies 2,756

2nd year estimated MRI studies (+5% growth) 2,894

3rd year estimated MRI studies (+5% growth) 3,038

4th year estimated MRI studies (+5% growth) 3,190
 5th year estimated MRI studies (+5% growth) 3,350

Economic Feasibility

1. Provide the cost of the project by completing the Project Costs Chart on the following page.

Justify the cost of the project.

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

Projected costs are set forth on the Project Cost Chart included as Attachment C Economic Feasibility 1. The project is estimated to cost \$838,543. This includes the fair market value (\$23,590 x 5 years) / the total amount of the lease payments over the initial term of the lease (\$1,965.83x60 months) in the amount of \$117,950, legal fees totaling \$15,000, the construction costs in the amount of \$80,220, the cost of the GE Signa Excite 1.5 Tesla stationary magnetic resonance imaging ("MRI") scanner for \$399,000, taxes in the amount of \$27,984, and computers and software, and office furniture in the amount of \$3,000. A letter from Design Build Construction is included to support the construction costs.

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding MUST be inserted at the end of the

application, in correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

X A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;

A letter from State of Franklin Bank stating favorable initial contact, the proposed loan amount, expected interest rates, anticipated term of the loan, and conditions is included as Attachment Economic Feasibility 2.A.

__ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

__ C. General Obligation bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting.

__ D. Grants--Notification of intent form for grant application or notice of grant award; or

X E. Cash Reserves--Appropriate documentation from Chief Financial Officer.

__ F. Other--Identify and document funding from all other sources.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

The total project cost for this proposal is \$838,543. The total estimated construction cost to modify the existing 674 square feet of space that will house the MRI is \$80,220. This is a construction cost of \$119 per square foot, which is reasonable in relation to other projects approved by the Health Services and Development Agency.

*State of Franklin Healthcare Associates Outpatient Diagnostic Center
CN0212-122*

Approved April 26, 2003

Total cost: \$4,312,481

Construction costs: \$562,500

Square feet: 1,875

Construction cost per square foot: \$300

*Coffee County Hospital Group dba Medical Center of Manchester
CN1012-054 and CN0607-049*

Approved February 23, 2011

Construction Cost: \$180,883

Square feet: 1,680

Construction cost per square foot: \$107.67

*Tennessee Oncology, PLLC
CN1110-041*

Approved January 25, 2012

Square feet: 450

Construction cost \$405,000

Construction cost per square foot: \$900

4. Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

The Historical Data Chart and the Projected Data Chart have been completed and are included as Attachment C Economic Feasibility 4.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

The project's average gross charge will be \$1584.55 for MRI's, with the provision for contractual adjustments, charity and bad debt averaging \$691.89 per scan, the average net charge then becomes \$892.66.

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

As the proposal involves a new service (MRI), there are no current charge schedules and no projected adjustment to current charges. The average projected gross charge, average projected deduction (including projected contractual adjustments, provision for charity care and bad debts), the average projected net charge, and the anticipated revenue from the proposed project for the two years following completion are presented in the table below as well as in the Projected Data Chart.

	Year 1	Year 2
Average Gross Charge	\$1584.55	\$1584.55
Average Projected Deduction	\$691.89	\$691.89
Average Projected Net Charge	\$892.66	\$892.66
Anticipated Gross Operating Revenue	\$4,367,020	\$4,585,688
Anticipated Net Operating Revenue	\$2,460,171	\$2,583,358

B. Compare the proposed charges to those of similar facilities in the service

area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

The Applicant's proposed charges (average \$1,584.55) are reasonable in relation to those of similar facilities in the service area (average \$2,700.78 in 2011) as demonstrated in the tables below.

CPT	Gross MRI Charges Proposed by Medical Care, PLLC	Charge
70551	MRI HEAD W/O CONTRAST	\$1,400.00
70552	MRI HEAD W/ CONTRAST	\$1,640.00
70553	MRI HEAD W/ & W/O CONTRAST	\$2,060.00
71550	MRI CHEST W/O CONTRAST	\$1,400.00
71551	MRI CHEST W CONTRAST	\$1,640.00
71552	MRI CHEST W & W/O CONTRAST	\$2,200.00
72141	MRI CERVICAL SPINE W/O CONTRAST	\$1,250.00
72142	MRI CERVICAL SPINE W/ CONTRAST	\$1,500.00
72146	MRI THORACIC SPINE W/O CONTRAST	\$1,400.00
72147	MRI THORACIC SPINE W/ CONTRAST	\$1,500.00
72148	MRI LUMBAR SPINE W/O CONTRAST	\$1,300.00
72149	MRI LUMBAR SPINE W/ CONTRAST	\$1,600.00
72156	MRI C SPINE W/ & W/O CONTRAST	\$2,000.00
72157	MRI T SPINE W/ & W/O CONTRAST	\$2,000.00
72158	MRI L SPINE W/ & W/O CONTRAST	\$2,000.00
72195	MRI PELVIS W/O CONTRAST	\$1,250.00
72196	MRI PELVIS W CONTRAST	\$1,500.00
72197	MRI PELVIS W & W/O CONTRAST	\$1,900.00
73218	MRI UPPER EXTREMITY W/O CONTRAST	\$1,200.00
73219	MRI UPPER EXTREMITY W CONTRAST	\$1,450.00
73220	MRI UPPER EXTREMITY W & W/O CONTRAST	\$1,750.00
73221	MRI UPPER EXTREMITY JOINT W/O CONTRAST	\$1,200.00
73222	MRI UPPER EXTREMITY JOINT W CONTRAST	\$1,400.00
73223	MRI UPPER EXTREMITY JOINT W & W/O CONTRAST	\$1,900.00
73718	MRI LOWER EXTREMITY W/O CONTRAST	\$1,200.00
73719	MRI LOWER EXTREMITY W CONTRAST	\$1,400.00
73720	MRI LOWER EXTREMITY W & W/O CONTRAST	\$1,750.00
73721	MRI LOWER EXTREMITY JOINT W/O CONTRAST	\$1,200.00

73722	MRI LOWER EXTREMITY JOINT W CONTRAST	\$1,350.00
73723	MRI LOWER EXTREMITY JOINT W & W/O CONTRAST	\$1,950.00
74181	MRI ABDOMEN W/O CONTRAST	\$1,400.00
74182	MRI ABDOMEN W CONTRAST	\$1,600.00
74183	MRI ABDOMEN W & W/O CONTRAST	\$2,000.00
AVERAGE GROSS CHARGE PER PROCEDURE		\$1,584.55

County	Facility	Average Gross Charge in 2011
Carter	Sycamore Shoals Hospital	\$3,776.74
Johnson	Johnson County Community Hospital	\$3,629.35
Sullivan	Appalachian Orthopaedic Associates – Kingsport	\$1,164.61
Sullivan	Appalachian Orthopaedic Associates, PC	\$1,064.63
Sullivan	Bristol Regional Medical Center	\$2,332.97
Sullivan	Holston Valley Imaging Center, LLC	\$2,553.22
Sullivan	Holston Valley Medical Center	\$2,125.44
Sullivan	Indian Path Medical Center	\$3,849.93
Sullivan	Meadowview Outpatient Diagnostic Center	\$1,701.49
Sullivan	Sapling Grove Imaging, LLC (Wellmont)	\$2,598.00
Sullivan	Sapling Grove Outpatient Diagnostic Center	\$1,671.94
Sullivan	Volunteer Parkway Imaging Center	\$2,365.84
Unicoi	Unicoi County Memorial Hospital	\$2,726.90
Washington	Appalachian Orthopaedic Associates – Johnson City	\$1,063.86
Washington	Franklin Woods Community Hospital	\$3,810.86
Washington	Johnson City Medical Center	\$3,853.59
Washington	Mountain States Imaging at Med Tech Parkway	\$3,718.22
Washington	Watauga Orthopaedics, PLC	\$1,410.16
AVERAGE GROSS CHARGE PER PROCEDURE		\$2,700.78

The table below represents the average gross charge in 2011 of all MRI providers in the Applicant's service area. Note the substantial (92%) rate increase faced by patients at Mountain States Health Alliance facilities compared to facilities not owned by Mountain States Health Alliance.

County	Facility	Average Gross Charge in 2011
Carter	Sycamore Shoals Hospital*	\$3,776.74*
Johnson	Johnson County Community Hospital*	\$3,629.35*
Sullivan	Appalachian Orthopaedic Associates – Kingsport	\$1,164.61
Sullivan	Appalachian Orthopaedic Associates, PC	\$1,064.63
Sullivan	Bristol Regional Medical Center	\$2,332.97
Sullivan	Holston Valley Imaging Center, LLC	\$2,553.22
Sullivan	Holston Valley Medical Center	\$2,125.44
Sullivan	Indian Path Medical Center*	\$3,849.93*
Sullivan	Meadowview Outpatient Diagnostic Center	\$1,701.49
Sullivan	Sapling Grove Imaging, LLC (Wellmont)	\$2,598.00
Sullivan	Sapling Grove Outpatient Diagnostic Center	\$1,671.94
Sullivan	Volunteer Parkway Imaging Center	\$2,365.84
Unicoi	Unicoi County Memorial Hospital	\$2,726.90

Washington	Appalachian Orthopaedic Associates –Johnson City	\$1,063.86
Washington	Franklin Woods Community Hospital*	\$3,810.86*
Washington	Johnson City Medical Center*	\$3,853.59*
Washington	Mountain States Imaging at Med Tech Parkway*	\$3,718.22*
Washington	Watauga Orthopaedics, PLC	\$1,410.16
AVERAGE GROSS CHARGE PER PROCEDURE – ALL facilities		\$2,700.78
AVERAGE GROSS CHARGE PER PROCEDURE – owned by Mountain States Health Alliance		\$3,773.12
AVERAGE GROSS CHARGE PER PROCEDURE – NOT owned by Mountain States Health Alliance		\$1,959.99
% increase in average gross charge		92.51%
*and shading indicates ownership by Mountain States Health Alliance		

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

Projected utilization is based on current utilization rates of MRI services of Medical Care, PLLC patients and the historic rate of growth in patients at the medical practice. The Projected Data Chart outlines the cost-effectiveness of the proposal. A positive cash flow is expected in the first year of operation.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Revenue and expense information for this proposal for Years 1 and 2 following project completion is included in the Projected Data Chart. The net operating income less capital expenditures as represented is projected to be \$773,783 in year 1 and \$807,140 in year 2.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Medical Care, PLLC is both a TennCare and Medicare provider. In the previous year, during the period November 20, 2011 to November 20, 2012, 31.24% of the patients treated at Medical Care, PLLC were TennCare enrollees. During the same period, 9.49% of the patients were on Medicare. Private insurance accounted for 38.55% of the patients, Worker's Compensation accounted for 5.36% of the patients and private pay accounted for 14.71% of the patients. Medical Care, PLLC anticipates seeing a similar payor mix in the future.

The estimated dollar amount of revenue and percentage of total project revenue anticipated from TennCare and Medicare for the proposals first year of operation is set forth below (note that Medical Care, PLLC typically sees TennCare and Medicare patients more frequently than other patient populations because they tend to have more chronic conditions. Accordingly, the percentage of anticipated revenue from TennCare and Medicare reflected below is higher than the percentage of patients noted above. The percentage of anticipated revenue is based on the medical practice's current percentage of TennCare/Medicare revenue for patient visits.):

	TennCare	Medicare
Gross TennCare and Medicare MRI Revenues	\$1,359,000.34	\$1,214,797.73
% of Total MRI Revenues	31.1%	27.8%

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

The most recent balance sheet and income statement for Medical Care, PLLC and Pine Palms Management, LLC are attached as requested and labeled Attachment C Economic Feasibility 10.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

Options Considered by Medical Care, PLLC include:

Option One: Maintain the status quo/do nothing -- This alternative does not address the issues that Medical Care, PLLC is attempting to resolve with its application and will result in continued patient delays and inconvenience, and reduced patient access.

Option Two: Partnering with other area MRI providers -- Sycamore Shoals Hospital is the only existing MRI provider in Carter County and it has not been willing to partner in radiology services the past. This alternative also does not solve the delays and patient access issues currently being experienced. Physical separation from other radiology services provided at Medical Care, PLLC would lead to increased patient inconvenience.

Option Three: Establishing a mobile MRI service -- this alternative is not optimal operationally or clinically and will not meet the current and growing patient care needs of Medical Care, PLLC. Initial cost evaluations are similar to those of a fixed magnet -- a mobile unit would still require significant build-out costs for modifications to parking, weight support of trailer, electric supply, etc. Further, there is limited physical space for parking a mobile trailer close to the radiology area of the practice. Patients would be exposed to the elements (rain & snow etc.) in order to access the mobile unit. Handicapped patients would have to use a wheelchair lift to access the mobile unit rather than having ground level access to a fixed unit.

a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

Medical Care, PLLC considered whether other less costly, more effective/efficient options existed. Medical Care, PLLC considered acquiring a lower cost extremities only MRI, but after reviewing the imaging needs of its patients, the practice concluded that the significant limitations

associated with an extremities only MRI would not meet the needs of its patients and would also greatly reduce its utilization of an MRI which would decrease efficiency.

The practice also considered an open, low powered MRI. Medical Care determined that, while these systems can be less expensive initially, they have reduced quality images, particularly in neurologic studies and imaging larger patients. Since quality and patient care is our highest priority, this option was found insufficient to meet patients' needs.

Medical Care, PLLC considered partnering with other physicians or current MRI service providers. However, Medical Care is located in a rural area with limited physician groups willing to partner in providing MRI services. The local hospital has been unwilling to partner in their current MRI services.

Medical Care, PLLC considered utilizing a mobile MRI service. This alternative would require significant modification to the parking lot and electrical service. Patients would be exposed to inclement weather (rain and snow), which would increase the risk of injury. Further, the mobile services which are housed in trailers can exacerbate symptoms for claustrophobic patients and prove less accessible for handicapped and injured patients. In reviewing pricing for mobile service, Medical Care, PLLC found that there was not a significant cost savings and the estimated patient load would require it to be parked permanently. After review, this option was eliminated due to several problems without any savings.

Medical Care, PLLC considered the option to do nothing and maintain the status quo, but this would result in continued patient delays in scheduling, large up-front fee deposits required prior to scheduling, and out of network issues for CIGNA patients. Doing nothing would also maintain the patient inconvenience factor as patients would still be likely to travel to out of county facilities for scans. Doing nothing will continue the lack of patient coordination and timely treatment.

b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Alternatives to new construction (i.e., sharing arrangements and mobile unit) were considered as previously noted. Construction for this proposed project is limited to renovation of existing space.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

The Applicant will continue to work closely with other healthcare providers in the area including: Mountain States Health Alliance hospitals, Wellmont Health Systems, East Tennessee

State University, Lincoln Memorial University, local nursing homes, clinics and other healthcare providers, Medicare and all managed care plans in the area including Blue Cross Blue Shield, United Healthcare, Cigna, Crest Point, Highlands IPA, and Qualuable (ACO).

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

The proposal is beneficial to the health care system and will result in minimal to no negative effects from unnecessary duplication of services. Patients will benefit from having an additional MRI provider in the area in many ways including, shorter wait times, improved convenience, expedited diagnosis and treatment. As previously noted, the lack of competition in the service area has reduced access, increased costs and not encouraged efficiencies.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

The anticipated staffing pattern for employees at the outpatient diagnostic center is summarized below along with a comparison of the salaries proposed to prevailing wage patterns in the service area as published in May 2012 by the Tennessee Department of Labor & Workforce Development.

					Compared to Johnson City, TN Healthcare Practitioners and Technical Occupations*			
Position	Year 1 FTE	Year 2 FTE	Proposed Hourly Pay Range	Average	Entry	Above Entry	Median	Above Median
MRI Tech	2	2.5	\$24-\$27	\$25.50	\$17.85	143%	\$22.20	115%
Management	1	1	\$14-\$18	\$16.00	\$12.50	128%	\$18.55	86%
Support Staff	2	2	\$9-\$12	\$10.50	\$8.20	128%	\$10.65	99%
Service/ Marketing	1	1	\$12-\$14	\$13.00	\$8.05	161%	\$13.50	96%
*Source: TN Dept. of Labor & Workforce Development, Employment Security Division, Labor Market Information								

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

Medical Care, PLLC does not anticipate that finding appropriately licensed staff will be a problem as the practice receives many resumes of experienced technologists looking for work.

Moreover, East Tennessee State University has a program training new 4 year technologists graduating each semester.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

The Applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Medical Care, PLLC works closely with East Tennessee State University in medical student rotations and nurse practitioners. The practice also works with King College and Milligan College in rotating and job shadowing nursing students.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

The Applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and applicable Medicare requirements.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: *Tennessee Department of Health*

Accreditation: *American College of Radiology*

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Not applicable.

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Not applicable.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Not applicable.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

Not applicable.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

If approved, Medical Care Imaging, LLC will submit all information required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

Attached as requested.

DEVELOPMENT SCHEDULE

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.

Completed as requested and attached as Project Completion Forecast Chart

2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.

Not applicable.

ATTACHMENT A.6.

Section A, Applicant Profile**13. Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.**

The TennCare MCOs operating in the proposed service area (Carter, Washington, Sullivan, Johnson and Unicoi Counties) are BlueCare, TennCare Select and UnitedHealthcare Community Plan.

Will this project involve the treatment of TennCare participants?

Yes.

If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

The Applicant has contracts with BlueCare, TennCare Select and UnitedHealthcare Community Plan.

ATTACHMENT A.13.

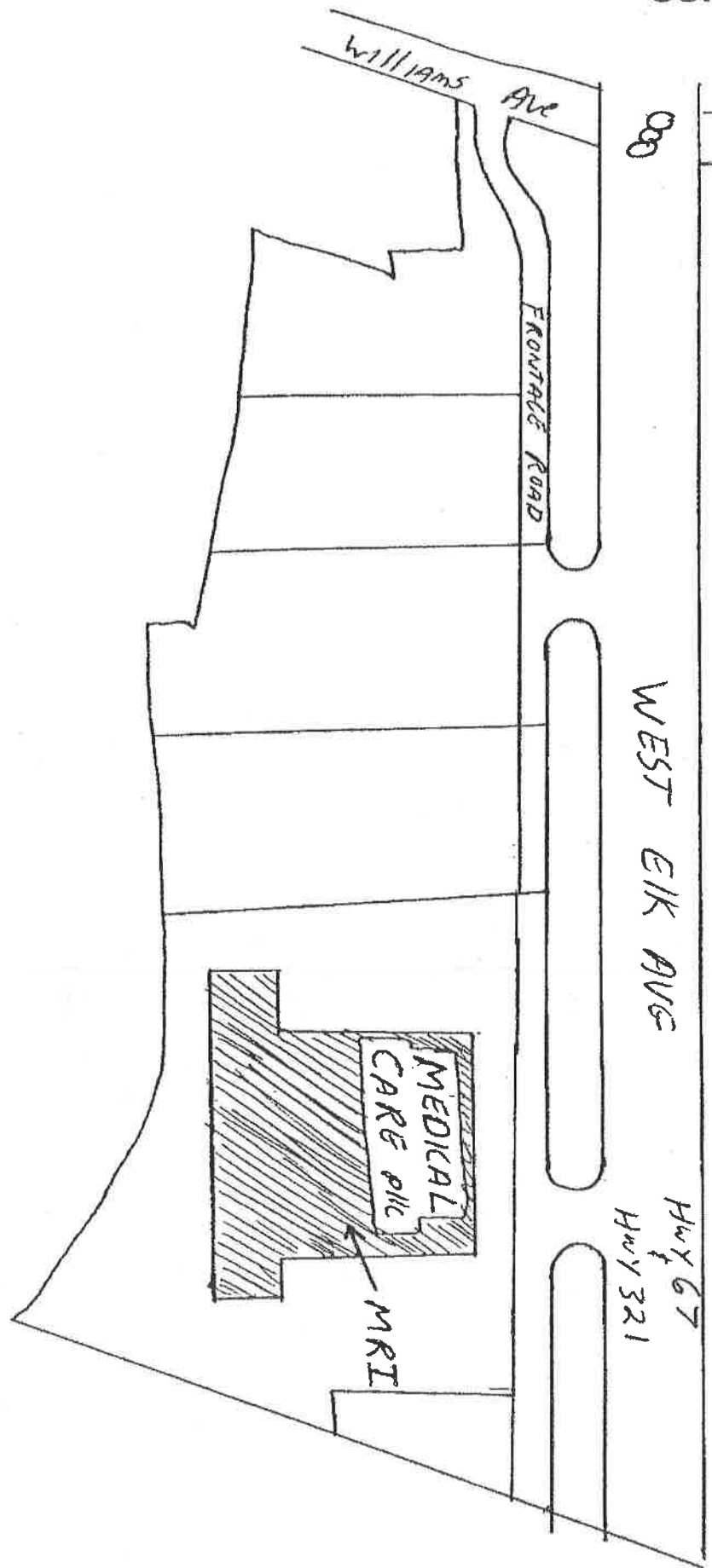
ATTACHMENT B.II.E.1.a.3.

CPT	
70551	MRI HEAD W/O CONTRAST
70552	MRI HEAD W/ CONTRAST
70553	MRI HEAD W/ & W/O CONTRAST
71550	MRI CHEST W/O CONTRAST
71551	MRI CHEST W CONTRAST
71552	MRI CHEST W & W/O CONTRAST
72141	MRI CERVICAL SPINE W/O CONTRAST
72142	MRI CERVICAL SPINE W/ CONTRAST
72146	MRI THORACIC SPINE W/O CONTRAST
72147	MRI THORACIC SPINE W/ CONTRAST
72148	MRI LUMBAR SPINE W/O CONTRAST
72149	MRI LUMBAR SPINE W/ CONTRAST
72156	MRI C SPINE W/ & W/O CONTRAST
72157	MRI T SPINE W/ & W/O CONTRAST
72158	MRI L SPINE W/ & W/O CONTRAST
72195	MRI PELVIS W/O CONTRAST
72196	MRI PELVIS W CONTRAST
72197	MRI PELVIS W & W/O CONTRAST
73218	MRI UPPER EXTREMITY W/O CONTRAST
73219	MRI UPPER EXTREMITY W CONTRAST
73220	MRI UPPER EXTREMITY W & W/O CONTRAST
73221	MRI UPPER EXTREMITY JOINT W/O CONTRAST
73222	MRI UPPER EXTREMITY JOINT W CONTRAST
73223	MRI UPPER EXTREMITY JOINT W & W/O CONTRAST
73718	MRI LOWER EXTREMITY W/O CONTRAST
73719	MRI LOWER EXTREMITY W CONTRAST
73720	MRI LOWER EXTREMITY W & W/O CONTRAST
73721	MRI LOWER EXTREMITY JOINT W/O CONTRAST
73722	MRI LOWER EXTREMITY JOINT W CONTRAST
73723	MRI LOWER EXTREMITY JOINT W & W/O CONTRAST
74181	MRI ABDOMEN W/O CONTRAST
74182	MRI ABDOMEN W CONTRAST
74183	MRI ABDOMEN W & W/O CONTRAST

ATTACHMENT B.III.(A)

March 28, 2013
9:46 am

SYCAMORE
SHAALS HOSPITAL



SUPPLEMENTAL- # 1

March 28, 2013

9:46 am

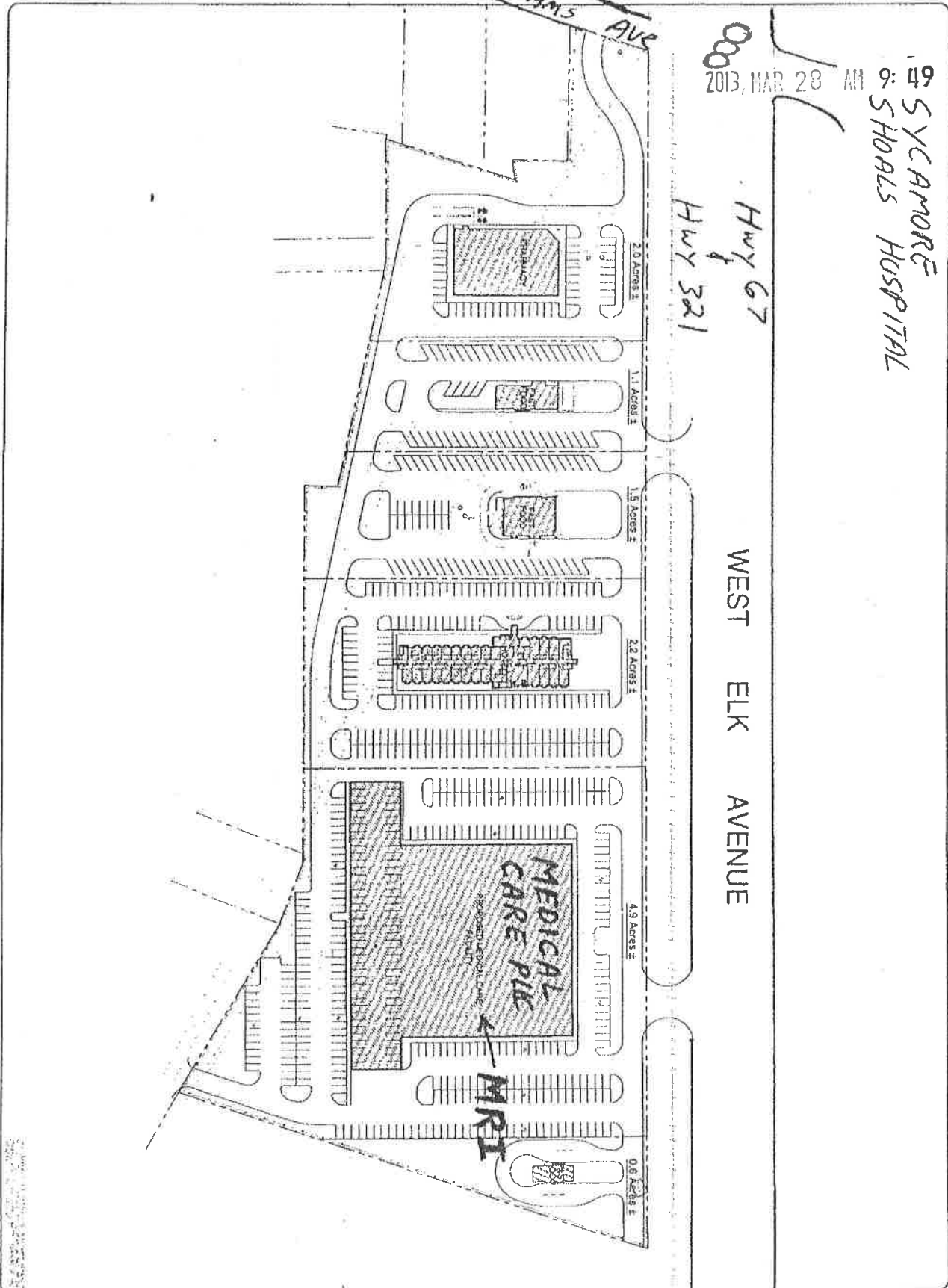
SYCAMORE
SHOALS HOSPITAL

2013, MAR 28 AM 9:49

Hwy 67
Hwy 321

WEST ELK AVENUE

72
WILLIAMS AVE



P4

DEVELOPMENT PLANS FOR
MEDICAL CARE
ELIZABETHTON, TENNESSEE

PRELIMINARY MASTER PLAN
LAYOUT 4

Benchmark
Design, LLC
116 W. Fourth Street, Suite C
Johnson City, Tennessee 37604
Phone: 423-728-1100
Fax: 423-728-1101
(ENGINEERING & SURVEYING)

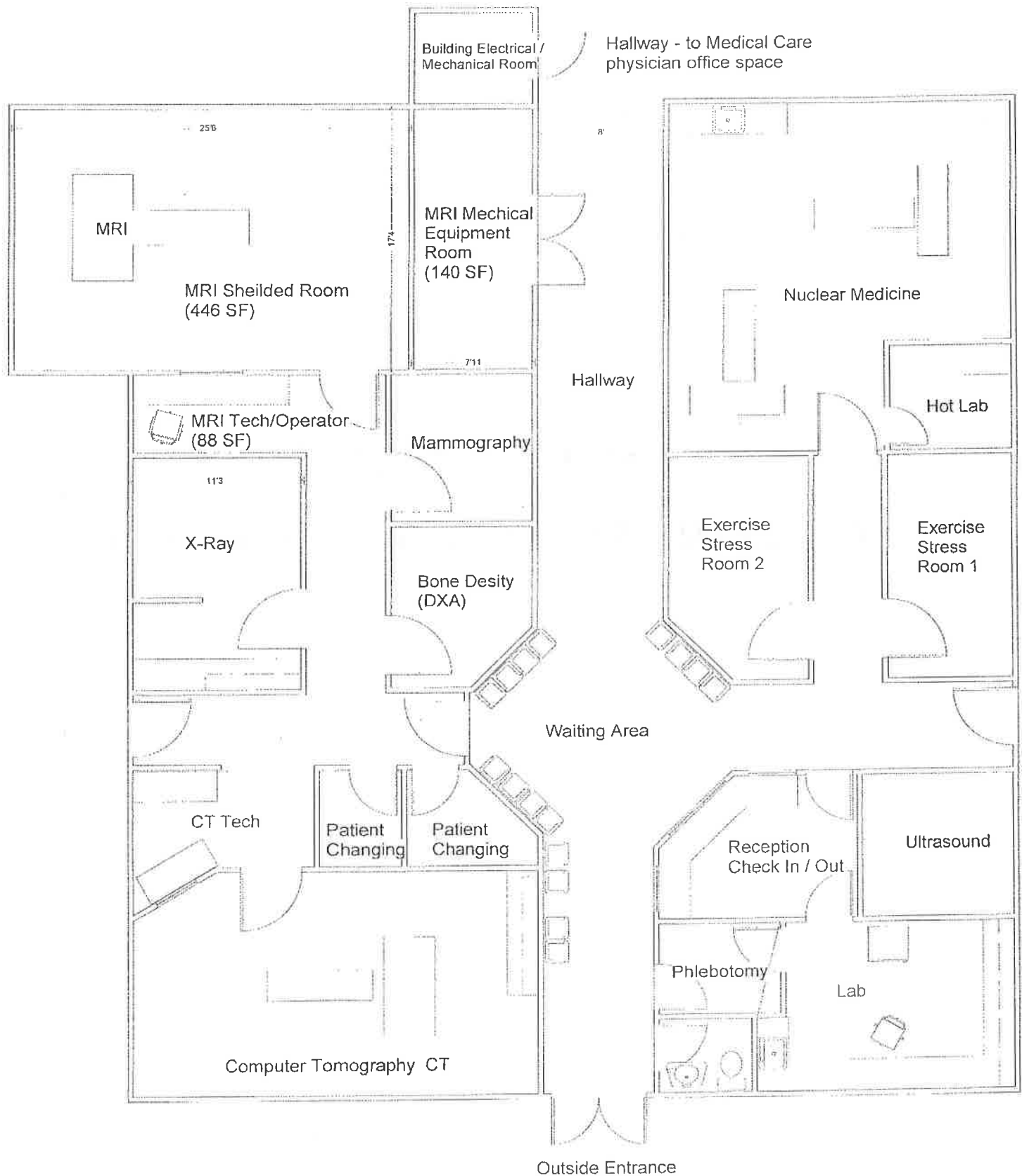
ATTACHMENT B.IV.



Medical Care, PLLC - MRI Suite

Total 674 SF

Medical Care, PLLC Radiology Suite in existing office space



ATTACHMENT

C.1.a.MRI Standards and Criteria 7.c.

ATTACHMENT

C.1.a.MRI Standards and Criteria 7.g.



March 7, 2013

To Whom It May Concern:

This is notification that the physicians of IPC of Tennessee provide hospital admissions and inpatient care for patients of Medical Care, PLLC, 1500 W. Elk Avenue, Elizabethton, TN 37643

IPC of Tennessee physicians are available to admit patients at the following facilities, 7 days per week, 24 hours per day. The IPC of Tennessee physician on call can be reached at the numbers listed below.

Johnson City Medical Center, Johnson City, TN	(423) 854-2222	Franklin Transitional Care, Johnson City, TN	(888) 877-6975
Holston Valley Medical Center, Kingsport, TN	(888) 601-6073	Health South Rehabilitation Hospital, Kingsport, TN	(423) 246-7240
Sycamore Shoals Hospital, Elizabethton, TN	(423) 410-1955	Quillen Rehabilitation Hospital, Johnson City, TN	(423) 952-1700
Bristol Regional Medical Center, Bristol, TN	(888) 214-9443	Health South Rehabilitation Hospital, Bristol, VA	(276) 642-7908

Following is a list of physicians on staff at IPC of TN.

Last Name	First Name	NPI	Last Name	First Name	NPI
Abu-Zeltoon MD	Rawan	1265621072	Mahboob, MD	Rashid	1659356335
Adams, DO	Stephanie A.	1023289493	Mann, MD	John	1104811694
Aimua, MD	Benedict E.	1962674424	Martin, MD	Jei	1033104047
Ali, MD	Muhammad	1265626279	Meade, DO	Farida E.	1174717235
Belagode, MD	Vinaya S	1518048172	Nazarov, MD	Vitaly	1760469084
Clark MD	Vivian	1205889508	Obuekwe, MD	Uzoma	1992901409
Colinger MD	J.W.	1245283886	Ozuah, MD	Uchienna	1578883377
Colinger DO	Jason	1609829241	Paris, MD	Claire	1063465128
Daniel DO	John	1013987023	Pickstock, MD	Janet G.	1215914528
Diaz Valdes, MD	Sergio A.	1417138439	Porter, MD	Keith G.	1821036179
Donovan, MD	Brian P	1598741787	Quinn, MD	Donald R.	1447219688
Garrido, MD	Jose A.	1982640140	Sawaf, DO	John N.	1346347358
Gonce, MD	Joel	1114920188	Singh, MD	Parminderjit	1396903126
Gutta, MD	Veerendra	1457362162	Squires MD	Anne Charlotte	1871586917
Holt, MD	Jacob E.	1194831636	Starr, MD	Dennis	1477727816
Jackson, MD	Richard	1457359770	Theerathorn, MD	Pitchar	1548223084
Jastan, MD	Rasmiyah	1740474527	Tountcheva, MD	Dimka M.	1316924665
Jurdi, MD	Makram	1124281894	Udoeyop, MD	U. Walter	1730166083
Kharalkar, MD	Shweta	1851585996	Vashit MD	Amil	1598950644
Kopparapu MD	Anil	1487891401	Walker, MD	Robert W.	1902877137
Lamb MD	Ray	1497858575			

If you have any questions, please contact Sharon Alvis at (423) 282-1480 extension 314.

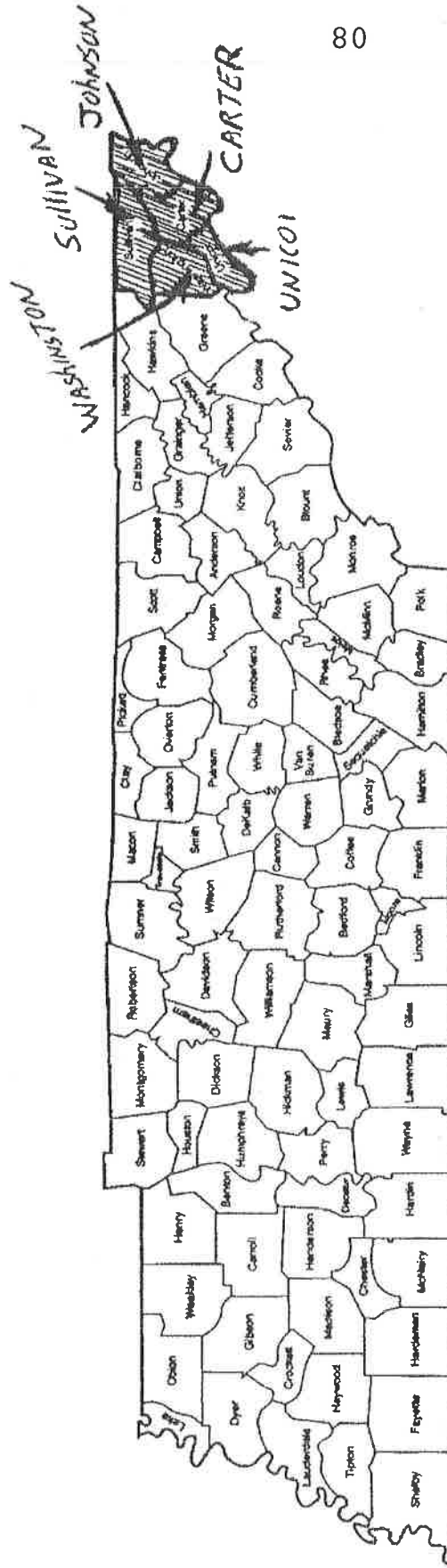
Sincerely,

Louis Collier, Director of Operations, TN Region

ATTACHMENT C.3.

Medical Care, PLLC

Proposed MRI Service area

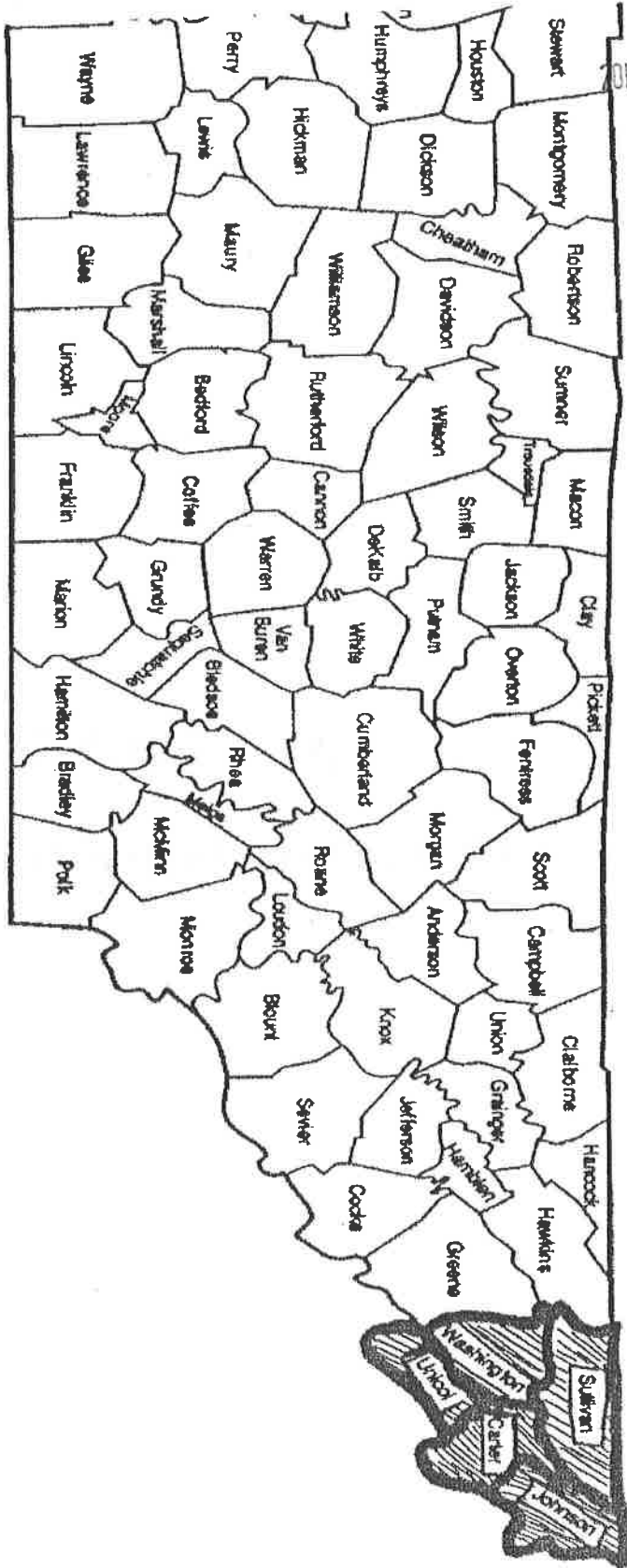


Proposed service area includes; Carter, Johnson, Unicoi, Sullivan, and Washington counties in Tennessee

2013 MAR 28 AM 9:49

Medical Care, PLLC

Proposed MRI Service Area



Proposed Service Areas includes; Carter, Johnson, Unicoi, Sullivan, and Washington Counties

ATTACHMENT C

Economic Feasibility 1

DESIGN BUILD CONSTRUCTION, LLC

March 8, 2012

Steve Hopland, CEO
Medical Care, LLC
1500 West Elk Avenue
Elizabethton, TN 37643

RE: MRI Renovation Project, Medical Care, LLC, 1500 West Elk Avenue, Elizabethton, TN 37643

Dear Steve:

As your design architect and design build contractor you have asked that we assist in preparation of your needed documentation for the above referenced MRI renovation project. As we understand the scope of work, you will be contracting with National MRI Shielding to provide the design and actual MRI equipment and installation of including auxiliary equipment and required shielding for the project. Facility improvements that would be required include the following:

- HVAC needs to condition the space
- Electrical material and labor to energize MRI equipment, HVAC equipment and new nonmetallic lights
- Gypsum board walls to add a mechanical room and to cover up new shielding metal
- Paint
- Demolition required to get MRI through exterior walls and into the proposed room space and repair back
- Additional flooring and base
- Reworked sprinkler head locations

You will find a budget estimate of that scope attached. We expect that your selected contractor for MRI installation has covered the design and cost to handle any influence of the magnetic field in relationship to the activities of the occupants adjacent to the proposed area. Per the preliminary electrical power needs you have shared with the electrical subcontractor he has stated that the electrical system has adequate capacity to support sufficient power to the magnet.

To the best of my knowledge at this time we have considered all applicable federal, state and local construction codes, standards, specifications, and known requirements and we feel the renovated facility will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the 2006 AIA Guidelines for Design and Construction of Hospital and Health Care Facilities and Department of Health Rules pertaining to Outpatient Diagnostic Centers.

We thank you for the opportunity to be of service. Please call us if you have further needs or questions.

Sincerely,

Roger Barnett

Roger Barnett, AIA
President / Owner

CC: Brian Briscall, John Crewey

Estimate Company

Standard Estimate Report

Page 1

MRI Room

3/7/2013 11:00 AM

Project name	MRI Room 1500 West Elk Avenue Elizabethlon TN 37643
Estimator	R. Barnett
Labor rate table	Standard Labor
Equipment rate table	Standard Equipment
Job size	576 SF
Bid date	3/6/2013 4:00 PM
Report format	Sorted by 'Group phase/Phase' 'Detail' summary

Item	Description	Takeoff Qty	Total Amount
1000.000	GENERAL REQUIREMENTS		
1210.020	Engineer/Architect Fees		
12	Architect Fee		1,000
	Engineer/Architect Fees		1,000
1300.010	Personnel: Supervision		
10	Superintendent	3.00 wk	2,460
	Personnel: Supervision		2,460
	120.00 Labor hours		
	120.00 Equipment hours		
1310.010	Personnel: Proj. Managmnt		
70	Estimator	0.10 mo	360
80	Purchasing Agent	0.10 mo	360
100	Payroll Clerk	0.30 wk	180
	Personnel: Proj. Managmnt		900
	12.00 Labor hours		
1310.020	Travel: All Types		
40	Car Travel		100
	Travel: All Types		100
1510.010	Utilities: Temporary		
10	Temp Electricity (by landlord)	1.00 mo	1
15	Temporary Lighting	1.00 ea	50
40	Temp Phone	1.00 mo	35
60	Temp Water (by landlord)	1.00 mo	1
	Utilities: Temporary		87
1520.020	Temp: Supplies		
40	Blue Prints	10.00 ea	24
	Temp: Supplies		24
1540.010	Temp: Tools & Equipment		
10	Tools & Equipment	1.00 mo	158
50	Oil & Gas	1.00 mo	100
	Temp: Tools & Equipment		258
	13.533 Labor hours		
1562.010	Controls: Safety		
30	First Aid Equip	1.00 mo	30
40	Safety Meetings	3.00 wk	30
	Controls: Safety		60
	1.20 Labor hours		
	GENERAL REQUIREMENTS		4,889
	146.733 Labor hours		
	120.00 Equipment hours		

1730.000**DEMOLITION**

1734.010	Demo: Masonry		
40	Saw Masonry	24.00 lf	50
60	Rem Brick For Opening (Hand)	20.00 sf	96
70	Rem Block For Opening (Hand)	20.00 sf	96

Estimate Company

Standard Estimate Report
MRI Room

Page 3

3/7/2013 11:00 AM

Item	Description	Takeoff Qty	Total Amount
	Demo: Masonry		
	10.40 Labor hours		242
	2.00 Equipment hours		
1736.010	Demo: Wood		
30	Remove Studs & Finish	216.00 sf	713
	Demo: Wood		713
	21.60 Labor hours		
	10.80 Equipment hours		
1738.010	Demo: Doors & Windows		
40	Remove Door & Frame	1.00 ea	15
70	Remove Aluminum Storefront Door & Frame & Reuse	1.00 ea	30
	Demo: Doors & Windows		45
	3.00 Labor hours		
1739.090	Demo: Exterior Finishes		
30	Remove Stucco (Dryvit)	40.00 sf	44
	Demo: Exterior Finishes		44
	2.00 Labor hours		
	0.40 Equipment hours		
1740.010	Clean Up		
10	Current Cleanup	3.00 wk	630
	Clean Up		630
	30.00 Labor hours		
1780.010	Punchlist, Etc		
10	Punchlist, etc	1.00 ea	200
	Punchlist, Etc		200
	10.00 Labor hours		
	DEMOLITION		1,875
	77.00 Labor hours		
	13.20 Equipment hours		

6000.000

WOOD & PLASTICS

6110.010	Framing: Plates		
16	Plates 2x4x16	4.00 ea	47
	Framing: Plates		47
	1.681 Labor hours		
6110.020	Framing: Plates PT		
16	Plates PT 2x4x16	2.00 ea	23
	Framing: Plates PT		23
	0.840 Labor hours		
6112.010	Framing: Studs 2x4 > 2x8		
30	Studs 2x4x10	15.00 ea	110
40	Studs 2x4x12	18.00 ea	158
	Framing: Studs 2x4 > 2x8		268
	9.76 Labor hours		
	WOOD & PLASTICS		338
	12.281 Labor hours		

Estimate Company

Standard Estimate Report

Page 4

MRI Room

3/7/2013 11:00 AM

Item	Description	Takeoff Qty	Total	
			Amount	
7000.000	THERMAL & MOISTURE PROT			
7240.010	Ext Insulation/Finish Sys			
30	Primus/Adhesive	40.00 sf		27
60	Reinforcing Mesh: Hi Impact	40.00 sf		17
90	Sandblast Finish Coat	40.00 sf		25
	Ext Insulation/Finish Sys			69
	3.00 Labor hours			
	THERMAL & MOISTURE PROT			69
	3.00 Labor hours			
8000.000	DOORS & WINDOWS			
8210.010	Doors: Wood			
bh 6	6 Panel Masonite HB Core 3-0 x 6-8 w/ Flat jamb & trim	2.00 ea		792
	Doors: Wood			792
	8.00 Labor hours			
8400.000	Metal-Framed Storefronts			
10	Aluminum-Framed Storefront Remove & Reinstall	80.00 sf		1,500
	Metal-Framed Storefronts			1,500
8700.000	Hardware: Finishing			
40	Wall Stops	2.00 ea		18
60	Rubber Silencer	6.00 ea		13
180	Lever Lockset	2.00 ea		259
	Hardware: Finishing			289
	4.80 Labor hours			
	DOORS & WINDOWS			2,581
	12.80 Labor hours			
9000.000	FINISHES			
9131.010	GWB: Boards & Sheathing			
230	GWB 5/8x12 Fire Code	840.00 sf		373
	GWB: Boards & Sheathing			373
9132.010	GWB: Finish Mud/Tape			
10	Labor GWB Finish All Steps	840.00 sf		158
30	Joint Compound	840.00 sf		13
40	Joint Tape 500' Rolls	840.00 sf		5
	GWB: Finish Mud/Tape			176
	10.50 Labor hours			
9511.010	Ceiling: Grid Mains			
50	Hanger Wire (#12 ga.)	200.00 lf		9
120	Main Tee Intermediate White	100.00 lf		54
	Ceiling: Grid Mains			63
	2.00 Labor hours			
9511.030	Ceiling: 2' Tee			
20	Cross Tee 2' Aluminum Solid	20.00 ea		53

Estimate Company

Standard Estimate Report

Page 5

MRI Room

3/7/2013 11:00 AM

Item	Description	Takeoff Qty	Total	
			Amount	
	Ceiling: 2' Tee			53
	1.00 Labor hours			
9511.040	Ceiling: Wall Mold			
20	Wall Mold 15/16 Angle White	60.00 lf		27
	Ceiling: Wall Mold			27
	1.20 Labor hours			
9511.050	Ceiling: 2x4 Tile			
120	MinFbr SqEdge Std 2x4 3/4"	120.00 sf		91
	Ceiling: 2x4 Tile			91
	1.25 Labor hours			
9650.010	Flooring Resilient			
10	Floor Resil Vinyl Tile @ added space	144.00 sf		341
20	Floor Resil Base @ added space	60.00 lf		63
	Flooring Resilient			404
	6.120 Labor hours			
9910.020	Painting: Int Detailed			
5	Paint Interior Complete	1,000.00 ls		1,600
	Painting: Int Detailed			1,600
	100.00 Labor hours			
	FINISHES			2,787
	122.070 Labor hours			
15000.000	MECHANICAL			
15300.010	Sprinkler			
10	Fire Protection (Lump Sum)			1,200
	Sprinkler			1,200
15700.000	HVAC Systems			
10	HVAC Systems (Lump Sum)			18,000
	HVAC Systems			18,000
	MECHANICAL			19,200
16000.000	ELECTRICAL			
16000.010	Electrical Complete			
10	Electrical (Lump Sum)			15,000
	Electrical Complete			15,000
	ELECTRICAL			15,000

Estimate Company

Standard Estimate Report

MRI Room

 Page 6
 3/7/2013 11:00 AM

Estimate Totals

Description	Amount	Totals	Hours	Rate	Cost Basis	Cost per Unit	Percent of Total
Labor	5,527		373.884 hrs			9.596 /SF	10.26%
Labor Burden	2,764			50.000 %	C	4.798 /SF	5.13%
	8,291	8,291				14.394 /SF	15.38%
Liability Insurance	251			30.250 \$ / 1,000	T	0.435 /SF	0.47%
	251	8,542				14.830 /SF	0.47%
Material	2,458					4.267 /SF	4.56%
Tenn Sales Tax	240			9.750 %	C	0.416 /SF	0.44%
	2,698	11,240				19.514 /SF	5.01%
Subcontract	37,310					64.774 /SF	69.23%
Equipment	580		133.200 hrs			1.007 /SF	1.08%
Building Permit Etc.	400				L	0.694 /SF	0.74%
Other	862					1.497 /SF	1.60%
	39,152	50,392				87.486 /SF	72.64%
Head & Profit Fees	3,503			6.500 %	T	6.082 /SF	6.50%
	3,503	53,895				93.568 /SF	6.50%
Total		53,895				93.568 /SF	100.00%

ATTACHMENT C
Economic Feasibility 2.A.

P.O. Box 940
Johnson City, TN 37605-0940



P.O. Box 208
Kingsport, TN 37662-0208

January 4, 2013

Mr. Steve Hopland
Medical Care PLLC
1500 West Elk Avenue
Elizabethton, TN 37643

Dear Mr. Hopland:

State of Franklin Bank, a division of Jefferson Federal Bank, is pleased to offer you the following proposals to finance the purchase of a G.E. 1.5T MRI, as further described in Contract of Sale #092212A from M.E.D. Inc and a GE Signa 1.5T Excite 8-Channel MRI described in Agreement Number 121712-WH from Oxford Instruments, along with related attachments/expenses associated with the installation. The proposal is subject to the satisfactory review of all financial information on the borrower(s) and conditions to meet the bank's lending policy and/or state and federal guidelines and should not be construed to be final approval.

Loan Amount: \$675,000

Interest Rate: 5.00%

Amortization: For a period not to exceed 60 months.

Origination Fee: None.

Repayment Terms: The fixed monthly principal and interest payments based on an amortization period not to exceed 60 months.

Loan to Value: N/A

Collateral: Equipment to be purchased along with all attachments.

Guarantors: Dr. Arnold Hopland, Dr. Jeffery Hopland, Dr. Kenneth Hopland, Steve Hopland and Jennifer Whaley, along with all spouses.

Environmental Assessment: N/A

Insurance: A mortgage policy naming State of Franklin Bank, a division of Jefferson Federal Bank, as mortgagee shall be required at closing.

MAIN OFFICE: 1907 North Roan Street • Johnson City, TN 37601 • Phone (423) 926-3388 • Fax (423) 232-4448

1000 W. Oakland Avenue
Johnson City, TN 37604
Phone (423) 854-2180
Fax (423) 854-2189

612 West Walnut Street
Johnson City, TN 37604
Phone (423) 461-4550
Fax (423) 461-4555

4718 North Roan Street
Johnson City, TN 37615
Phone (423) 722-9800
Fax (423) 926-2185

240 West Center Street
Kingsport, TN 37660
Phone (423) 246-2100
Fax (423) 578-8038

4409 Fort Henry Drive
Kingsport, TN 37663
Phone (423) 239-6290
Fax (423) 239-6291

Page 2, Medical Care PLLC, January 4, 2013

Closing Cost: The borrower shall be responsible for all closing costs associated with this loan including but not limited to attorney fees, appraisal fees, environmental assessments or any other cost. If the loan does not close, any fees generated will be paid by the borrower upon request by the bank.

Prepayment: No prepayment fee will be assessed.

Other terms & Conditions: A Balance Sheet and Income Statement, along with prior year tax returns, shall be delivered to the bank on a timely basis after the fiscal year on all borrowers or anytime the bank deems necessary.

The Directors, Officers and staff are pleased you have given the bank the opportunity to finance your request. If you have any questions please feel free to call.

Sincerely,



Harvey L. Mitchell
President, Tri-Cities Division

Acceptance of these terms and conditions are required by February 15, 2013 and closed by March 15, 2013. Any changes to these terms and condition shall be in writing and approved by State of Franklin Bank.

Accepted:

BY _____ Title _____ Date _____

ATTACHMENT C
Economic Feasibility 4

PROJECT COSTS CHART

2013 MAR 13 AM 9 58

A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees	3,500
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	15,000
3. Acquisition of Site	0
4. Preparation of Site	5,000
5. Construction Costs	80,220
6. Contingency Fund	50,000
7. Fixed Equipment (Not included in Construction Contract)	426,984
8. Moveable Equipment (List all equipment over \$50,000)	18,000
9. Other (Specify)	

B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land) 5 year lease	117,950
2. Building only	
3. Land only	
4. Equipment (Specify)	
5. Other (Specify)	

C. Financing Costs and Fees:

1. Interim Financing	
2. Underwriting Costs	
3. Reserve for One Year's Debt Service	118,889
4. Other (Specify)	

D. Estimated Project Cost
(A+B+C)

835,543

E. CON Filing Fee

3,000

F. Total Estimated Project Cost
(D+E)

838,543

TOTAL 838,543

2013 MAR 13 AM 10 00
HISTORICAL DATA CHART

Give information for the last *three* (3) years for which complete data are available for the facility or agency. The fiscal year begins in January (Month).

	Year <u>2010</u>	Year <u>2011</u>	Year <u>2012</u>
A. Utilization Data (Specify unit of measure) CPT's	233,492	260,351	254,696
B. Revenue from Services to Patients			
1. Inpatient Services	\$ -	\$ -	\$ -
2. Outpatient Services	\$15,349,854	\$17,411,255	\$18,228,256
3. Emergency Services	-	-	-
4. Other Operating Revenue (Specify) <u> </u>	-	-	-
Gross Operating Revenue	\$ 15,349,854	\$ 17,411,255	\$ 18,228,256
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$ 6,769,519	\$ 7,612,200	\$ 8,403,226
2. Provision for Charity Care	920,991	748,684	747,358
3. Provisions for Bad Debt	461,927	554,347	1,044,229
Total Deductions	\$ 8,152,437	\$ 8,915,231	\$ 10,194,813
NET OPERATING REVENUE	\$ 7,197,417	\$ 8,496,024	\$ 8,033,443
D. Operating Expenses			
1. Salaries and Wages	\$ 1,875,470	\$ 2,155,904	\$ 2,290,216
2. Physician's Salaries and Wages	2,080,586	2,054,709	2,106,806
3. Supplies	174,800	213,389	260,316
4. Taxes	303,499	354,482	249,982
5. Depreciation	376,472	384,042	195,462
6. Rent			
7. Interest, other than Capital			
8. Other Expenses (Specify) <u>Management</u>	2,357,923	2,393,264	2,624,563
Total Operating Expenses	\$ 7,168,750	\$ 7,555,790	\$ 7,727,345
E. Other Revenue (Expenses) – Net (Specify)	\$	\$	\$
NET OPERATING INCOME (LOSS)	\$ 28,667	\$ 940,234	\$ 306,098
F. Capital Expenditures			
1. Retirement of Principal	\$ (1,462,695)	\$ (506,331)	\$ (4,404,880)
2. Interest	149,922	247,016	351,847
Total Capital Expenditures	\$ (1,312,773)	\$ (259,315)	\$ (4,052,933)
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	\$ 1,341,440	\$ 1,199,549	\$ 4,359,081

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

2013 APR 8 PM 12 06

	Year 1	Year 2
A. Utilization Data (Specify unit of measure) MRI Studies	<u>2756</u>	<u>2894</u>
B. Revenue from Services to Patients		
1. Inpatient Services	\$ <u>-</u>	\$ <u>-</u>
2. Outpatient Services	\$ <u>4,367,020</u>	\$ <u>4,585,688</u>
3. Emergency Services	<u>-</u>	<u>-</u>
4. Other Operating Revenue (Specify) _____	<u>-</u>	<u>-</u>
Gross Operating Revenue	\$ <u>4,367,020</u>	\$ <u>4,585,688</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$ <u>1,754,304</u>	\$ <u>1,842,147</u>
2. Provision for Charity Care	\$ <u>57,187</u>	\$ <u>60,051</u>
3. Provisions for Bad Debt	\$ <u>95,358</u>	\$ <u>100,132</u>
Total Deductions	\$ <u>1,906,849</u>	\$ <u>2,002,330</u>
NET OPERATING REVENUE	\$ <u>2,460,171</u>	\$ <u>2,583,358</u>
D. Operating Expenses		
1. Salaries and Wages	\$ <u>282,800</u>	\$ <u>318,500</u>
2. Physician's Salaries and Wages	\$ <u>206,700</u>	\$ <u>217,050</u>
3. Supplies	\$ <u>275,600</u>	\$ <u>289,400</u>
4. Taxes	<u>-</u>	<u>-</u>
5. Depreciation	\$ <u>75,000</u>	\$ <u>75,000</u>
6. Rent	\$ <u>23,590</u>	\$ <u>23,590</u>
7. Interest, other than Capital	<u>-</u>	<u>-</u>
8. Management Fees:		
a. Fees to Affiliates	\$ <u>661,434</u>	\$ <u>691,414</u>
b. Fees to Non-Affiliates		
9. Other Expenses -- Specify _____	\$ <u>108,000</u>	\$ <u>108,000</u>
Total Operating Expenses	\$ <u>1,633,124</u>	\$ <u>1,722,954</u>
E. Other Revenue (Expenses) -- Net (Specify) _____	\$ <u>-</u>	\$ <u>-</u>
NET OPERATING INCOME (LOSS)	\$ <u>827,047</u>	\$ <u>860,404</u>
F. Capital Expenditures		
1. Retirement of Principal	\$ <u>22,311</u>	\$ <u>23,687</u>
2. Interest	\$ <u>30,953</u>	\$ <u>29,577</u>
Total Capital Expenditures	\$ <u>53,264</u>	\$ <u>53,264</u>
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	\$ <u>773,783</u>	\$ <u>807,140</u>

2013 APR 8 PM 12 05
HISTORICAL DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES

	Year____	Year____	Year____
1.	\$_____	\$_____	\$_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____
7.	_____	_____	_____
Total Other Expenses	\$_____	\$_____	\$_____

PROJECTED DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES

	Year <u>1</u>	Year <u>2</u>
1. MRI service/maintenance contract (\$9,000 mo)	<u>\$ 108,000</u>	<u>\$ 108,000</u>
2.	_____	_____
3.	_____	_____
4.	_____	_____
5.	_____	_____
6.	_____	_____
7.	_____	_____
Total Other Expenses	<u>\$ 108,000</u>	<u>\$ 108,000</u>

ATTACHMENT C

Economic Feasibility 10



RHP
Certified Public Accountants

November 8, 2012

To the Members
Pine Palms Management, LLC
Johnson City, Tennessee

We have compiled the accompanying statements of assets, liabilities, and equity – income tax basis of Pine Palms Management, LLC, as of September 30, 2012 and the related statement of revenues, expenses and members' equity – income tax basis for the nine months then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the income tax basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Corporation's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Richard H. Pung, CPA, PC

PINE PALMS MANGEMENT, LLC and MEDICAL CARE, PLLC
COMBINED STATEMENT OF REVENUE, EXPENSES AND EQUITY - INCOME TAX BASIS
For the nine months ended September 30, 2012

	09/30/12	
FEES - net of refunds	\$ 5,962,279.25	100.00%
EXPENSES		
Salaries and wages - others	2,434,299.85	40.83%
Advertising	8,079.90	0.14%
Bank charges	9,000.82	0.15%
Business gifts and entertainment	7,280.15	0.12%
Continuing Education	7,719.34	0.13%
Employee benefits	183,910.65	3.08%
Insurance expense	77,862.54	1.31%
Interest expense	108,486.71	1.82%
Licenses and permit	6,718.03	0.11%
Medical and laboratory supplies	1,104,617.55	18.53%
Office supplies and postage	115,080.51	1.93%
Outside Services	172,264.24	2.89%
Payroll taxes	203,565.43	3.41%
Professional fees	121,919.58	2.04%
Provision for depreciation	195,462.46	3.28%
Retirement contributions	20,114.68	0.34%
Repairs and maintenance	109,048.79	1.83%
Taxes and licenses	28,632.38	0.48%
Travel	8,271.25	0.14%
Utilities, telephone and elevator	140,522.70	2.36%
	<u>5,062,857.56</u>	<u>84.91%</u>
NET OPERATING INCOME BEFORE MEMBERS' COMPENSATION	899,421.69	15.09%
MEMBERS' COMPENSATION		
Guaranteed payments-members	565,409.51	9.48%
	<u>565,409.51</u>	<u>9.48%</u>
NET OPERATING INCOME	334,012.18	5.60%
OTHER INCOME	71,686.84	1.20%
TOTAL OPERATING INCOME	<u>405,699.02</u>	<u>6.80%</u>
Members' equity at January 1, 2012	386,255.07	
Members' withdrawals	<u>(375,000.00)</u>	
MEMBERS' EQUITY AT SEPTEMBER 30, 2012	<u>\$ 416,954.09</u>	

See accountants' compilation report.

PINE PALMS MANAGEMENT, LLC and MEDICAL CARE, PLLC
COMBINED STATEMENT OF ASSETS, LIABILITIES AND EQUITY - INCOME TAX BASIS

September 30, 2012

ASSETS

CURRENT ASSETS

Cash	\$ 372,278.86
Due from employees	2,754.15
Due from officers	98,492.24
TOTAL CURRENT ASSETS	<u>473,525.25</u>

PROPERTY AND EQUIPMENT - at cost

Land	296,278.72
Buildings and Construction in Progress	8,571,294.12
Furniture, fixtures & equipment	1,934,708.89
Software	45,137.62
	<u>10,847,419.35</u>
Less accumulated depreciation	2,694,547.32
	<u>8,152,872.03</u>

OTHER ASSETS

Due from Medical Software Solutions, LLC	48,500.00
Note receivable- Dr. Church	99,841.62
	<u>148,341.62</u>

TOTAL ASSETS \$ 8,774,738.90

LIABILITIES

CURRENT LIABILITIES

Payroll taxes payables	607.94
Loan from officer	\$ 200,000.00
Current portion of long term debt	178,005.21

TOTAL CURRENT LIABILITIES 378,613.15

LONG TERM DEBT, net of current portion 7,979,171.66

TOTAL LIABILITIES 8,357,784.81

MEMBERS' EQUITY 416,954.09

TOTAL LIABILITIES AND MEMBERS' EQUITY \$ 8,774,738.90

PINE PALMS MANGEMENT, LLC and MEDICAL CARE, PLLC
COMBINED STATEMENT OF CASH FLOW - INCOME TAX BASIS

For the nine months ended September 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Net income from operations	\$ 405,699.02
Decrease in receivables from employees and others	135.22
Decrease in payroll liabilities	(15,842.97)
NET CASH PROVIDED BY OPERATING ACTIVITIES	389,991.27

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in Buildings, Furniture and Equipment	(4,124,759.01)
Increase in accumulated depreciation	195,462.46
Decrease in Note Receivable from Dr. Church	6,694.89
NET CASH USED BY INVESTING ACTIVITIES	(3,922,601.66)

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in notes payable	4,279,721.00
Distributions to members	(375,000.00)
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,904,721.00

INCREASE IN CASH 372,110.61

CASH AT BEGINNING OF PERIOD 168.25

CASH AT SEPTEMBER 30, 2012 \$ 372,278.86

See accountants' compilation report.

PROOF OF PUBLICATION

STATE OF TENNESSEE
COUNTY OF CARTER

Judy C. Guinn OF SAID
COUNTY BEING DULY SWORN, DEPOSETH AND
SAITH THAT SHE IS THE ASSISTANT TREASURER
OF THE ELIZABETHTON STAR, A NEWSPAPER
PUBLISHED AT ELIZABETHTON IN THE COUNTY
OF CARTER, STATE OF TENNESSEE, AND THE
ORDER AND NOTICE, OF WHICH IS ANNEXED IS
A TRUE COPY, WHICH WAS PUBLISHED IN SAID
PAPER FOR One-Day CONSECUTIVE WEEKS;

COMMENCING ON THE 8th DAY OF Mar., 20 13
AND ENDING ON THE 8th DAY OF Mar., 20 13

Sworn to and subscribed before me this
the 8th day of Mar., 20 13

Judy C. Guinn
Nathan C. Goodwin

NOTARY PUBLIC

My commission expires November 19, 2014



**NOTIFICATION OF INTENT TO APPLY
FOR A CERTIFICATE OF NEED**

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 66-1601 et seq., and the Rules of the Health Services and Development Agency that Medical Care, PLLC, professional private practice, owned by: Medical Care, PLLC with an ownership type of professional limited liability company and to be managed by: Pine Palms Management, LLC intends to file an application for a Certificate of Need for initiation of magnetic resonance imaging (MRI) services to its patients at 1500 West Elk Avenue in Elizabethton, Carter County, Tennessee. The project costs are \$838,543. The project does not include the acquisition of major medical equipment, will not require facility licensure and affects no licensed inpatient bed complements.

The anticipated date of filing the application is: March 8, 2013. The contact person for this project is Rachel C. Nelley, Esq., Attorney, who may be reached at Nelley & Company, PLLC, P.O. Box 150731, Nashville, TN 37215, (615) 274-4839.

Upon written request by interested parties, a local Fact-Finding hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
The Frost Building, Third Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Development Agency
Certificate-of-need
Published: March 8, 2013
Cost: \$204.00

Project Completion Forecast Chart

PROJECT COMPLETION FORECAST CHART

2013 MAR 13 AM 10 01
 Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): June 26, 2013

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. Architectural and engineering contract signed	7	July / 2013
2. Construction documents approved by the Tennessee Department of Health	N/A	
3. Construction contract signed	7	July / 2013
4. Building permit secured	14	July / 2013
5. Site preparation completed	14	Aug / 2013
6. Building construction commenced	7	Aug / 2013
7. Construction 40% complete	30	Sept / 2013
8. Construction 80% complete	30	Oct / 2013
9. Construction 100% complete (approved for occupancy)	14	Nov / 2013
10. *Issuance of license	N/A	
11. *Initiation of service	7	Nov / 2013
12. Final Architectural Certification of Payment	14	Nov / 2013
13. Final Project Report Form (HF0055)	14	Dec / 2013

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

2013 MAR 13 AM 10 01

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF CarterArnold O Hopland, MD

being first duly sworn, says that he/she is the applicant named in this application or his/her lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Tennessee Health Services and Development Agency and T.C.A. § 68-11-1601, *et seq.*, and that the responses to questions in this application or any other questions deemed appropriate by the Tennessee Health Services and Development Agency are true and complete.

Arnold O Hopland, MD
Signature/Title

Sworn to and subscribed before me this the 7 day of March, 2013, a Notary Public in and for the County of Carter State of Tennessee.

Carol O'Bourke

NOTARY PUBLIC

My Commission expires

Aug 2, 2014

HIF-0056

Revised 7/02 - All forms prior to this date are obsolete

COPY- SUPPLEMENTAL-1

Medical Care, PLLC

CN1303-006

March 28, 2013

9:46 am



Rachel C. Nelley, Attorney
rachel@nelleycompany.com
615.274.4838

March 27, 2013

VIA HAND DELIVERY

Phillip M. Earhart
Health Services Examiner
TN Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

**Re: Certificate of Need Application CN1303-006
Medical Care, PLLC**

Dear Mr. Earhart:

This letter will serve to follow up the filing of the above-referenced certificate of need application and is submitted as a first supplemental response to your e-mail correspondence dated March 20, 2013, wherein additional information or clarification was requested.

1. Section A, Applicant Profile, Item 12

Please respond to this question as Yes, No or N/A.

Response: *A replacement page 3 responding to the question "N/A" is enclosed.*

2. Section A, Project Description, Item 13

The applicant has responded to this question in Attachment A.13. Please answer this question by responding underneath the question without an attachment. Please submit a replacement page.

Response: *There is no space remaining available on the submitted page 3 to respond underneath the question. The enclosed requested replacement page is identified as page 3.A.*

3. Section B, Project Description, Item I.

102 Woodmont Boulevard • Suite 200 • Nashville, TN 37205

MAIL: P.O. Box 150731 • Nashville, TN 37215-0731

TELEPHONE: 615.345.0323 • FACSIMILE: 615.730.6545 • WEBSITE: www.nelleycompany.com

Mr. Phillip Earhart

March 27, 2013

Page 2

Please indicate if the PLLC or LLC provides CT services. If yes, is the CT registered in the Health Services and Development Equipment registry?

Response: Yes, Medical Care, PLLC does provide CT services to its patients and has registered the CT in the Health Services and Development Equipment registry.

Please document the waiting time for MRI patients in the service area. Please detail the methodology used in determining the average time patients are waiting for MRI services.

Response: Medical Care, PLLC does not have direct access to actual MRI wait times, but reviewed its most recent MRI order dates and compared the order dates to the scheduled dates over the past 3 months. The minimum wait time for non-emergent MRI is 3 days to accommodate MSHA financial clearance. See attached MSHA policy. The average time from date ordered to completed over the past 3 months is 10 days.

The applicant has made several statements regarding Mountain States Health Alliance not accepting CIGNA insurance in the application. Please provide documentation that supports this statement.

Response: The requested documentation is enclosed and includes a printed excerpt from the Mountain States Health Alliance ("MSHA") website indicating that MSHA is not a CIGNA network provider.

Please indicate if Mountain States Health Alliance accepts CIGNA insurance as out of network.

Response: CIGNA patients are able to access MSHA facilities as out of network, but at a much higher cost.

The applicant states Mountain States Health Alliance requires 50% up-front payments for MRI services. Is the 50% payment requirement calculated on MRI gross charges, net charges, deductible, or is it 50% of the patients out-of-pocket responsibility?

Response: Per the enclosed MSHA pre-payment policy, MSHA requires payment of one-half of a patient's total out of pocket expense.

Please clarify is Mountain States Health Alliance requires Medicare and TennCare to pay 50% up-front payments.

Response: Per the enclosed MSHA pre-payment policy, "the insured population" as well as the "uninsured population" are required to pre-pay half of the patient's total out-of-pocket expense for all non-emergency procedures. If Medicare or TennCare patients have any out-

Mr. Phillip Earhart
March 27, 2013
Page 3

of-pocket expenses associated with a non-emergency MRI scan, then the MSHA prepayment policy would apply.

Also, please provide a number of how many people in the proposed service area are enrolled with CIGNA insurance.

Response: *The requested information is not available to the Applicant. As indicated in the Applicant's CON application, approximately 15% of the Medical Care, PLLC patients with private insurance have CIGNA. The applicant has been given the estimate of 15,000 - 20,000 CIGNA patients within the service area.*

The applicant states 15% of the patients of the Medical Care, PLLC patients have CIGNA insurance. How many patients does this represent?

Response: *Medical Care, PLLC currently has 1,777 patients with CIGNA insurance.*

The applicant states multiple patients choose to forego recommended diagnostic imaging due to the large up-front payment required by Mountain States Health Alliance. How many people per year is the applicant speaking of in this statement and how was that total calculated?

Response: *The applicant searched its patient records for patients for whom an MRI was ordered but never done. This query resulted in 26 patients not having an MRI that was ordered over the past 3 months or an estimated 104 patients annually. This does not include any patients who would have had an MRI ordered, but, after discussion with the physician, chose not to have the study. In these cases, the MRI was never ordered within the practice's electronic medical record system, so the query would not have found them. The number of patients this applies to is unknown but several physicians in the practice estimated that it happens a couple times per month (per provider). This would add a couple hundred additional MRI studies that were recommended, but not completed or delayed due to the high up-front cost.*

How many of the applicant's patients fall into the category of uninsured or insured with high deductible and/or copayment?

Response: *Medical Care, PLLC does not categorize/track patients by the amount of their deductible or copayment and, therefore, cannot provide HSDA with a specific number. Medical Care, PLLC does track patients who list cash or uninsured. The practice has 26,349 cash pay or uninsured patients.*

Please indicate the locations of Medical Care PLLC in the proposed service area.

Mr. Phillip Earhart
March 27, 2013
Page 4

Response: Medical Care, PLLC has offices in the following locations, all of which are within the service area:

1500 West Elk Ave, Elizabethton, TN 37643
401 East Main Street, Johnson City, TN 37601
437 Hwy 321, Hampton, TN 37658

Please complete the following chart indicating the number of physician specialties and extenders at each Medical Care PLLC location:

Location	Family Practice	General Practice	Internal Medicine	General Surgery	Gynecology	Pediatrics	Other
1500 West Elk Avenue, Elizabethton	5			1	1	1	8
401 East Main Street, Johnson City	6		2			1	6
437 Hwy 321, Hampton		1					1

The applicant proposes initiation of a 1.5 Tesla MRI. Does the applicant ever plan to refer patients to a provider with a 3.0 tesla MRI for a more complex scan? Also, is a 1.5 Tesla MRI appropriate for all medical scans?

Response: The Applicant anticipates that the 1.5 Tesla MRI is sufficient for all the scans ordered by its primary care providers and does not anticipate that it will be necessary for its providers to order 3.0 Tesla scans. 3.0 Tesla scans would typically be ordered by sub specialist on patients they are treating directly.

Please indicate if the proposed MRI will be limited to the patients of the physicians within the PLLC.

Response: Yes, the proposed MRI will be limited to the patients of the physicians within the PLLC. The Applicant is NOT seeking a certificate of need to establish an outpatient diagnostic center.

4. Section B, Project Description, Item II.C.

The chart on page 10 of the average MRI gross charges is noted. What causes gross charges to be different from one provider to another? What is the impact of gross charges on consumers when there is a contracted insurance rate involved?

Response: Gross charges reflect a provider's full, undiscounted charge. Determining the amount of the gross charge is purely a matter of individual provider preference and may be

Mr. Phillip Earhart

March 27, 2013

Page 5

based on any number of factors not necessarily reflecting the actual cost of providing a service.

While a provider may bill its gross charge, the amount the provider actually collects depends in large part on the payer from which it accepts payment. Gross charges are subject to discounts that third-party payers negotiate or are totally disregarded in the case of payers who negotiate flat fees. Patients who self-pay, are underinsured or are uninsured have little to no bargaining power and typically pay full, non-discounted gross charges. Patients whose insurance payment rates are linked to charges because services are not governed by fee schedules or other fixed payment amounts (i.e., a percentage discount on hospital charges) are also affected by high gross charges because the amount of co-insurance the patient is required to pay will be higher (i.e., in an 80/20 plan, insurance will pay 80% of the charge for the medical service and the patient is responsible for paying the remaining 20% after meeting his or her deductible). Large insurance companies with relatively more market power vis-a-vis doctors and hospitals usually pay lower prices for given services than do smaller insurers with less market power. Accordingly, even if a patient has a contracted insurance rate that reflects a discount, he/she will pay more in the form of coinsurance in the face of a higher gross charge, particularly when his/her insurer is a small one with less bargaining power and is not in a position to negotiate a larger discount.

5. Section B, Project Description, Item II.E.3

Please discuss the quality of service from an MRI scanner that is 8 years old and that the applicant believes has at least 7+ years of useful life. How does this scanner compare in quality and resolution of a scan in comparison to a new 1.5T MRI scanner. Please note that review of the IISDA Medical Equipment Registry for the past six years indicates that the median turnaround time in replacing MRI equipment is between 7 and 8 years.

Response: *The GE ExciteCKX4 magnet in the MRI is the same magnet that GE offers on their new MRI systems. So the quality of the magnet is exactly the same as new. The only changes are the computers (keep getting faster) and the software. This MRI is upgradeable to the latest current version (same as new). For the basic MRI studies and patient flow that anticipated by the practice, the older version software has equivalent quality and resolution. The newer software version can increase scan speed and post processing, but is not required for the practice's application.*

The MRI Purchase and Sale Agreement are noted. However, on page 3 of the document the purchase and sale agreement states, "Purchaser shall return an executed Agreement to OI Service on or before March 1, 2013, along with a deposit of \$199,700.00 (30% of Purchase Price). If Purchaser fails to execute this agreement and pay the deposit prior to such date, the terms and conditions set forth in this agreement shall be null and void". Please indicate

Mr. Phillip Earhart

March 27, 2013

Page 6

if the applicant has already purchased the MRI. If not, please clarify the status of the proposed MRI purchase.

Also, the document states the equipment will be delivered on or before June 1, 2013. Prior to the Agency decision. The agency meeting for this project is June 26, 2013. Please clarify.

Response: *The Applicant has not yet purchased the proposed MRI and will not do so unless and until it obtains approval of its certificate of need application from HSDA. Preparation of the Applicant's certificate of need application took more time than expected. A revised purchase agreement is enclosed that reflects an execution and deposit deadline and delivery date that occur after the date that HSDA meets to consider the Applicant's certificate of need application.*

6. Section B, Project Description Item III.A. (Plot Plan)

The words in the shaded areas are not legible. Please submit a legible plot plan with the location of the proposed MRI clearly marked.

Response: Revised plot plans are enclosed.

7. Section C, Need, Item 1.a. (Service Specific Criteria-Magnetic Resonance Imaging) (2)

Overall, what is the percentage of the proposed service area population that is accessible to the proposed MRI location?

Response: $(45.79\% + 37.71\% + 5.68\% + 3.88\% + 3.28\%) = 93.34\%$

10,754 (45.79%) of the patients resided in Carter County. 8,856 (37.71%) of the patients resided in Washington County. 1,333 (5.68%) of the patients resided in Sullivan County. 911 (3.88%) of the patients resided in Johnson County. 771 (3.28%) of the patients resided in Unicoi County. 858 (3.65%) of the patients resided outside the proposed service area.

8. Section C, Need, Item 1.a. (Service Specific Criteria-Magnetic Resonance Imaging) (3)

Please indicate the Tesla strength of the MRI located at Sycamore Shoals Hospital in Carter County.

Response: *According to the medical equipment registry maintained by HSDA and dated September 11, 2012, the Tesla strength of the MRI located at Sycamore Shoals Hospital in Carter County is 1.5.*

9. Section C, Need, Item 1.a. (Service Specific Criteria-Magnetic Resonance Imaging) (4)

Mr. Phillip Earhart
March 27, 2013
Page 7

The applicant states the combined average utilization of existing MRI providers in all of the counties in the service area in 2011 was 1,821 procedures. The applicant also states the existing providers in the proposed service area were near 80% of the total capacity of 3600 procedures, or 2,880 procedures. It appears 1,821 procedures is not close to the standard of 2,880 procedures. Please clarify.

Response: The combined average utilization figure of 1,821 procedures is incorrect. According to the latest available data from the Health Services and Development Agency, in 2011, the average combined utilization was much higher than 1,821 and closer to the standard of 2,880 procedures. The average combined utilization could be calculated one of two ways. One way includes the mobile unit operating 2 days per month at Johnson County Community Hospital as a full unit. Counting the part-time mobile unit as a full unit results in a combined average utilization in 2011 of 2,381 ($52389 \div 22$). A more accurate calculation, however, would not count the part-time mobile unit as a full unit. If the part-time mobile unit is counted as 0.1 of a fixed unit, then the average combined utilization in 2011 was 2,483 ($52,389 \div 21.1$).

The 2,483 average combined utilization figure for 2011 includes two units in Sullivan County who also appear to be operating on a part-time basis, namely, Appalachian Orthopaedic Associates, PC, an extremity MRI, whose utilization in 2011 was 288 procedures, and Sapling Grove Imaging, LLC (Wellmont), a stand-up, multiposition MRI, whose utilization in 2011 was 349. According to the CON application filed by Sapling Grove Imaging, LLC (CN0510-090), the standup, multiposition MRI was to be "available for subleasing up to four (4) days per week." Additionally, the 2,483 average combined utilization figure for 2011 includes an extremity MRI in Washington County also owned by Appalachian Orthopaedic Associates, PC. Inclusion of these "specialty MRI units" as full units in the calculation of combined average utilization does not seem appropriate. Accordingly, the Applicant submits that the calculation of combined average utilization should either exclude these three (3) units or not count them as full units. If the 3 units and their utilization are excluded entirely, then the combined average utilization of the service area in 2011 was 2,829 ($51206 \div 18.1$), which is greater than the 2,880 procedure threshold.

10. Section C, Need, Item I.a. (Service Specific Criteria-Magnetic Resonance Imaging) (7) (d)

Please indicate how the ACR Practice Guidelines for Performing and Interpreting Magnetic Resonance Imaging (MRI) meets the establishment that assure that all MRI procedures performed are medically necessary and not unnecessarily duplicate other services.

Response: The Applicant submits that the ACR Practice Guidelines serve as acceptable professional reference materials for ensuring the medical appropriateness and necessity of MRI scans. Nevertheless, Medical Care, PLLC agrees with the American College of Radiology (ACR) that "the ultimate judgment regarding the propriety of any specific procedure or course of action must be made by the physician or medical physicist in light of all the circumstances presented." In addition to referring to the ACR practice guidelines, which are intended by the ACR as "an educational tool designed to assist practitioners in providing appropriate radiologic care for patients," Medical Care, PLLC will ensure that all MRI studies require a physician order and require that these orders be attached to an appropriate diagnosis code ICD-9 to justify the order. Further, all payers require prior

Mr. Phillip Earhart

March 27, 2013

Page 8

authorization prior to conducting the MRI study. This prior authorization helps to maintain the requirement for medical necessity. Moreover, National Diagnostic Imaging (NDI) the radiologist group which Medical Care, PLLC will utilize for interpreting the MRI studies, has an internal utilization review process outside of Medical Care, PLLC to monitor for unnecessary studies.

On reduction of duplication, Medical Care, PLLC is participating in One Partner, the local health information exchange (HIE), which will allow Medical Care, PLLC physicians to review diagnostic studies done at other participating service providers. This increased knowledge through access of outside diagnostic studies will reduce the unnecessary duplication of similar diagnostic services.

11. Section C, Need, Item 1.a. (Service Specific Criteria-Magnetic Resonance Imaging)(7)(g)

The applicant states IPC, a local hospitalist group, will be used for any hospital admissions. Indian Path Medical Center is not listed as a facility to admit patients by IPC in their letter in the attachment. Is IPC contracted with all hospitals in the proposed service area?

Response: *IPC is not contracted with all hospitals in the proposed service area -- it does not admit to Indian Path Medical Center, but does admit to Holston Valley, both within Kingsport.*

What is the advantage of using the hospitalist model to admit patients rather than having transfer agreements?

Response: *Medical Care, PLLC is a private physician practice and is not a facility. The requirement for transfer agreements typically only apply to facilities. Medical Care, PLLC is unaware of any requirement by the Board of Medical Examiners to have a transfer agreement in place. Medical Care, PLLC patients are followed in the hospital by IPC, the local hospitalist group which specializes in in-patient care. IPC is also participating in One Partner, the local health information exchange (HIE) along with Qualuable, a Medicare approved ACO / MSSP. Both of these increase patient coordination and efficiency and quality.*

12. Section C, Need, Item 1.a. (Service Specific Criteria-Magnetic Resonance Imaging) (7)(H)

Please provide a brief description of National Diagnostic Imaging (NDI) and where they are located. Please indicate if NDI will use Teleradiology in reviewing MRI scans.

Response: *Yes, NDI intends to use teleradiology via PACS technology in reviewing MRI scans. As stated in the application, NDI radiologists are board certified, fellowship trained and licensed in Tennessee. Several have subspecialty in MRI and specifically in neuroradiology. The radiologists meet continuing medical education requirements and maintain current Tennessee licenses. NDI is located in Beachwood, Ohio. The company has been providing subspecialty teleradiology services to hospitals, imaging centers, office-based imaging practices and outpatient clinics nationwide since 2003.*

Mr. Phillip Earhart
March 27, 2013
Page 9

13. Section C, Need, Item 1.a. (Service Specific Criteria-Magnetic Resonance Imaging)(9)(a)

Please provide documentation that Carter, Johnson, Unicoi and Washington counties are designated at medical underserved areas (MUA). Does this mean certain zip codes are designated an MUA or is the whole county an MUA? Please clarify.

Response: The MUA designation applies to the whole county of Carter, the whole county of Unicoi and the whole county of Johnson. With respect to Washington County, only the Bethesda Division and the Telford Division are considered MUAs. A printed version of the report generated by the U.S. Department of Health and Human Services, Health Resources and Services Administration (HRSA) Data Warehouse Report Tool is enclosed along with a copy of the search results for counties in the service area generated by the HRSA website and accessed on March 26, 2013 available at <http://muafind.hrsa.gov/index.aspx>.

14. Section C, Need Item 3

The county names in the shaded areas of the proposed service area county map are not legible. Please submit a map with legible names of counties in the proposed service area.

Response: Two revised maps are enclosed.

15. Section C, Need Item 4.A

Your response to this item is noted. Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the following table and include data for each county in your proposed service area.

Variable	Carter	Johnson	Unicoi	Sullivan	Washington	Service Area	Tennessee
Current Year (CY), Age 65+	9980	3366	3629	29789	19640	66404	884505
Projected Year (PY), Age 65+	11274	3817	4026	34291	22373	75781	1012853
Age 65+, % Change	12.966%	13.399%	10.94%	15.113%	13.915%	14.121%	14.511%
Age 65+, % Total (PY)	19.51%	21.10%	21.87%	21.50%	16.87%	19.61%	15.33%
CY, Total Population	57355	18095	19127	156786	125094	376457	6456243
PY, Total Population	57772	18087	18412	159499	132595	386365	6607016
Total Pop. % Change	+73%	-.044%	-3.73%	+1.73%	+5.996%	+2.632%	+2.335%
TennCare Enrollees	11353	3960	3590	27451	19002	65356	1205480
TennCare Enrollees as a % of Total Population	19.79%	21.88%	18.77%	17.51%	15.19%	17.36%	18.67%
Median Age	42	42.7	44.6	43.2	39.3	42.36	37.8
Median Household Income	32148	32159	35265	40572	42104	36449.60	43,989
Population % Below Poverty Level	22%	23.4%	20.7%	16.5%	17.3%	21.73%	16.9%

Mr. Phillip Earhart

March 27, 2013

Page 10

16. Section C, Need. Item 5

The MRI utilization table on page 32 is noted. Please provide totals for 2009, 2010 and 2011 for the proposed service area and resubmit.

Response: See table below which also includes 2012 utilization for all but 3 service area providers. The remaining 3 providers' utilization for 2012 is expected to become available on March 31, 2013.

County	Facility and Type	Number of MRI Scanners and Type	Total Procedures			
			2009	2010	2011	2012
Washington	Franklin Woods Community Hospital (HOSP)	1 Fixed	0	1635	3546	3499
Washington	Johnson City Medical Center (HOSP)	2 Fixed	5186 (avg. 2593 per scanner)	6596 (avg. 3298 per scanner)	7247 (avg. 3623.5 per scanner)	7237
Washington	Mountain States Imaging at Med Tech Parkway (ODC)	1 Fixed	2162	2066	2738	2697
Washington	Watauga Orthopaedics, PLC (PO)	1 Fixed	3284	2927	2748	2415
Washington	Appalachian Orthopaedic Associates - Johnson City (PO)	1 Fixed	639	521	546	357
Sullivan	Appalachian Orthopaedic Associates - Kingsport (PO)	1 Fixed	1396	1293	1460	Sold
Sullivan	Appalachian Orthopaedic Associates, PC (PO)	1 Fixed	400	365	288	268
Sullivan	Bristol Regional Medical Center (HOSP)	2 Fixed	5904 (avg. 2952 per scanner)	6168 (avg. 3084 per scanner)	6447 (avg. 3223.5 per scanner)	6578
Sullivan	Holston Valley Imaging Center, LLC (ODC)	3 Fixed	9367 (avg. 3122.3 per scanner)	8025 (avg. 2675 per scanner)	8362 (avg. 2787.3 per scanner)	8792
Sullivan	Holston Valley	1 Fixed	4026	3624	3774	3514

Mr. Phillip Earhart
March 27, 2013
Page 11

	Medical Center (HOSP)					
Sullivan	Indian Path Medical Center	1 Fixed	2697	2700	2651	3000
Sullivan	Meadowview Outpatient Diagnostic Center	1 Fixed	4440	5258	4457	n/a
Sullivan	Wellmont Sapling Grove Imaging, LLC (Stand up MRI) (HImaging)	1 Fixed	656	536	349	150
Sullivan	Sapling Grove Outpatient Diagnostic Center (ODC)	1 Fixed	2588	2116	2587	n/a
Sullivan	Volunteer Parkway Imaging Center (HODC)	1 Fixed	1279	1193	1327	1348
Unicoi	Unicoi County Memorial Hospital, Inc. (HOSP)	1 Fixed	967	959	1630	n/a
Johnson	Johnson County Community Hospital (HOSP)	1 Mobile (2 days/month)	255	256	274	308
Carter	Sycamore Shoals Hospital (HOSP)	1 Fixed	2276	2026	1958	2014
Service Area Total Procedures			47,522	48,264	52,389	n/a

17. Section C, Need, Item 6

Please provide letters from physicians practicing in the proposed service area that documents referral sources for the projected MRI utilization.

Response: *The Applicant is a private physician practice and intends to offer MRI services primarily to patients of the medical practice and not accept referrals from outside physicians. In order to accept referrals from physicians outside the medical practice, the Applicant would have to obtain a certificate of need to establish an outpatient diagnostic center, which it has not done and is not currently requesting.*

18. Section C. Economic Feasibility Item 2 (Funding)

The letter dated January 2, 2013 from Mr. Steve Hopland of State of Franklin Bank indicating a willingness to loan the \$675,000 is noted. The total project cost is \$838,543. How will the additional \$163,543 be funded?

Response: *The bank funds exceed all initial capital requirements. The facility expense and debt service will come from cash flow from operations over time.*

Mr. Phillip Earhart
 March 27, 2013
 Page 12

Also, please provide a revised funding letter. The letter states "acceptance of these terms and conditions are required by February 15, 2013 and closed by March 15, 2013."

Response: *The requested funding letter is enclosed.*

19. Section C. Economic Feasibility Item 4 Historical and Projected Data Charts

Please complete revised Historical and Projected Data Charts that have fields for management fees. The revised charts are included with these supplemental questions.

There appears to be calculation errors in the Historical Data Chart. Please recheck and resubmit if necessary.

Response: *The requested charts are enclosed.*

20. Section C. Economic Feasibility Item 6.A

The table for average gross chart, average projected deduction, average projected net charges, etc. is noted. The figures appear to not match the projected data chart totals. Please recheck and resubmit a replacement page if necessary.

21. Section C. Economic Feasibility Item 6.B

Please compare charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: *See revised table below.*

CPT	MRI	Medical Care, PLLC Gross Charge	Medicare Physician Fee Schedule
70551	MRI HEAD W/O CONTRAST	\$1,400.00	437.20
70552	MRI HEAD W/ CONTRAST	\$1,640.00	488.23
70553	MRI HEAD W/ & W/O CONTRAST	\$2,060.00	571.93
71550	MRI CHEST W/O CONTRAST	\$1,400.00	477.68
71551	MRI CHEST W CONTRAST	\$1,640.00	530.76
71552	MRI CHEST W & W/O CONTRAST	\$2,200.00	675.02
72141	MRI CERVICAL SPINE W/O CONTRAST	\$1,250.00	387.18
72142	MRI CERVICAL SPINE W/ CONTRAST	\$1,500.00	498.10
72146	MRI THORACIC SPINE W/O CONTRAST	\$1,400.00	387.86

Mr. Phillip Earhart

March 27, 2013

Page 13

72147	MRI THORACIC SPINE W/ CONTRAST	\$1,500.00	439.92
72148	MRI LUMBAR SPINE W/O CONTRAST	\$1,300.00	382.08
72149	MRI LUMBAR SPINE W/ CONTRAST	\$1,600.00	481.43
72156	MRI C SPINE W/ & W/O CONTRAST	\$2,000.00	572.27
72157	MRI T SPINE W/ & W/O CONTRAST	\$2,000.00	531.78
72158	MRI L SPINE W/ & W/O CONTRAST	\$2,000.00	560.02
72195	MRI PELVIS W/O CONTRAST	\$1,250.00	432.09
72196	MRI PELVIS W CONTRAST	\$1,500.00	480.06
72197	MRI PELVIS W & W/O CONTRAST	\$1,900.00	585.88
73218	MRI UPPER EXTREMITY W/O CONTRAST	\$1,200.00	424.95
73219	MRI UPPER EXTREMITY W CONTRAST	\$1,450.00	471.56
73220	MRI UPPER EXTREMITY W & W/O CONTRAST	\$1,750.00	581.45
73221	MRI UPPER EXTREMITY JOINT W/O CONTRAST	\$1,200.00	282.05
73222	MRI UPPER EXTREMITY JOINT W CONTRAST	\$1,400.00	442.64
73223	MRI UPPER EXTREMITY JOINT W & W/O CONTRAST	\$1,900.00	548.11
73718	MRI LOWER EXTREMITY W/O CONTRAST	\$1,200.00	422.23
73719	MRI LOWER EXTREMITY W CONTRAST	\$1,400.00	479.38
73720	MRI LOWER EXTREMITY W & W/O CONTRAST	\$1,750.00	585.20
73721	MRI LOWER EXTREMITY JOINT W/O CONTRAST	\$1,200.00	282.05
73722	MRI LOWER EXTREMITY JOINT W CONTRAST	\$1,350.00	449.10
73723	MRI LOWER EXTREMITY JOINT W & W/O CONTRAST	\$1,950.00	547.77
74181	MRI ABDOMEN W/O CONTRAST	\$1,400.00	382.42
74182	MRI ABDOMEN W CONTRAST	\$1,600.00	528.04
74183	MRI ABDOMEN W & W/O CONTRAST	\$2,000.00	587.92
MEDICAL CARE, PLLC AVERAGE CHARGE PER PROCEDURE		\$1,584.55	

The applicant notes a substantial 92% average gross charge rate increase by Mountain State Health Alliance as compared to facilities not owned by Mountain States Health Alliance. Please explain why the 92% increase.

Response: MSHA charges and collects higher fees as compared to alternate service providers likely due to the lack of competition in the service area.

Mr. Phillip Earhart
March 27, 2013
Page 14

In a scenario of a patient's insurance being contracted with every provider in the service area for an MRI at the same rate, would it matter what the gross charges are?

Response: *If all payer contracted at the same flat rate then no, but payers contract at vastly different rates for similar services from different service providers. So unless there is a single flat rate payer it DOES matter what service providers charge and collect for their services.*

22. Section C. Economic Feasibility Item 10

The applicant has provided a consolidated balance sheet and income statement for Medical Care PLLC and Pine Palms Management, LLC. Since the applicant is Medical Care, PLLC, please provide the most recent balance sheet and income statement for that entity.

Response: *The requested balance sheet and income statement are enclosed. Medical Care, PLLC is set up to break even at the end of the year. Any true gains or losses are passed through Pine Palms Management, LLC and then through the individual owners' returns.*

23. Section C. Orderly Development, Item 8 and 9

Items 8 and 9 are applicable to this project. Please provide a response.

Response: *A response to these items was included with the application and is set forth below:*

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Revenue and expense information for this proposal for Years 1 and 2 following project completion is included in the Projected Data Chart. The net operating income less capital expenditures as represented is projected to be \$978,024 in year 1 and \$1,023,856 in year 2.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Medical Care, PLLC is both a TennCare and Medicare provider. In the previous year, during the period November 20, 2011 to November 20, 2012, 31.24% of the patients treated at Medical Care, PLLC were TennCare enrollees. During the same period, 9.49% of the patients were on Medicare. Private insurance accounted for 38.55% of the patients, Worker's Compensation accounted for

Mr. Phillip Earhart
March 27, 2013
Page 15

5.36% of the patients and private pay accounted for 14.71% of the patients. Medical Care, PLLC anticipates seeing a similar payor mix in the future.

The estimated dollar amount of revenue and percentage of total project revenue anticipated from TennCare and Medicare for the proposals first year of operation is set forth below (note that Medical Care, PLLC typically sees TennCare and Medicare patients more frequently than other patient populations because they tend to have more chronic conditions. Accordingly, the percentage of anticipated revenue from TennCare and Medicare reflected below is higher than the percentage of patients noted above. The percentage of anticipated revenue is based on the medical practice's current percentage of TennCare/Medicare revenue for patient visits.):

	TennCare	Medicare
Gross TennCare and Medicare MRI Revenues	\$1,359,000.34	\$1,214,797.73
% of Total MRI Revenues	31.1%	27.8%

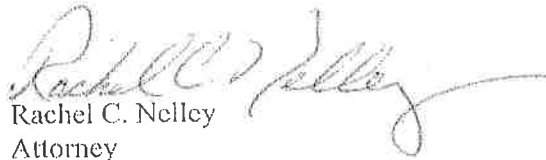
24. Proof of Publication

The application copy did not include the publication of intent. Please provide a copy.

Response: The publication affidavit from the newspaper as proof of the publication of the letter of intent is enclosed. A copy was included with the application copy as required.

Should you have any questions or require additional information pertaining to this application, please do not hesitate to contact me by telephone at 615.274.4838 or by e-mail at rachel@nelleycompany.com.

Very truly yours,


Rachel C. Nelley
Attorney

Attachments

cc: Steve Hopland, Medical Care, PLLC

AFFIDAVIT

2013 MAR 28 AM 9:50

STATE OF TENNESSEE

COUNTY OF CarterNAME OF FACILITY: MEDICAL CARE, PLLC

I, ARNOLD O HORLAND, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

[Signature]
Signature/Title

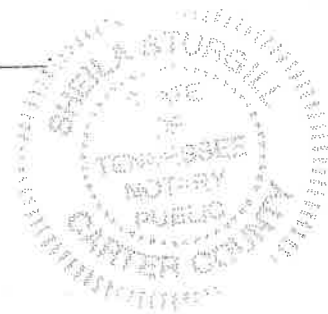
Sworn to and subscribed before me, a Notary Public, this the 24 day of MARCH, 2013, witness my hand at office in the County of Carter, State of Tennessee.

[Signature]
NOTARY PUBLIC

My commission expires 10-24-2015

HF-0043

Revised 7/02





**MOUNTAIN STATES
HEALTH ALLIANCE**

Bringing Loving Care to Health Care

Careers

Hospitals

About Us

Services

Foundation

Classes / Events

MSHA Portals

Search

[HOME](#) | [BACK](#)

SHARE [Add to PDF](#) [Generate PDF](#)



**MOUNTAIN STATES
HEALTH ALLIANCE**

Bringing Loving Care to Health Care

Strategic Services

Health Information

Patients & Visitors

Find a Physician

Mountain States
Medical Group

Consumer Portal

WebNursery

Online Billing

Shopping

eGreetings

CarePages

MSHA Insurance Provider Information

Will you have access to MSHA hospitals and physicians Jan. 1, 2012?

Beginning Jan. 1, 2012, **CIGNA** will no longer include **Mountain States Health Alliance hospitals**, physicians and outpatient clinics in its network. This decision may make it difficult for many people in our region to find health care services close to home. However, all of the other **health plans and provider networks** in our region include MSHA facilities and physicians in their networks and are listed to the right.

Mountain States Health Alliance hospitals and facilities include:

Tennessee Hospitals

- Franklin Woods Community Hospital
- Indian Path Medical Center
- James H. & Cecile C. Quillen Rehabilitation Hospital
- Johnson City Medical Center
- Johnson County Community Hospital
- Sycamore Shoals Hospital
- Woodridge Hospital

Virginia Hospitals

- Dickenson Community Hospital
- Johnson Memorial Hospital
- Norton Community Hospital
- Russell County Medical Center
- Smyth County Community Hospital

Physicians, Clinics and Other Services

Mountain States Health Alliance Insurance Company and Provider Networks

- A • Aetna
- Anthem Blue Cross and Blue Shield
- B • Beech Street Network
- BlueCross® BlueShield® of Tennessee
- C • Coalition America/NPPN/PCA
- Coventry National Healthcare Network/First Health
- CrestPoint Health
- F • Fortified Provider Network
- G • Gateway Health
- H • Humana
- I • The Initial Group, Inc.
- Integrated Health Plan (IHP)
- Integrated Solutions Health Network LLC
- M • Macellan Health Services

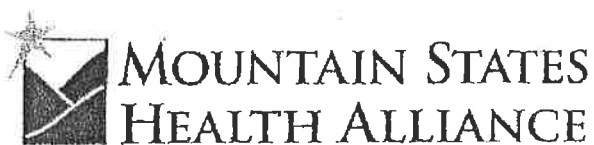
- Mountain States Medical Group
- with primary and specialty group practices
- Abingdon Physician Partners (APP) Community Physicians
- First Assist Urgent Care Centers
- Medical Center HomeCare and Hospice
- and Mediserve services throughout the Tri-Cities region

Questions?

If you have any questions regarding your personal or business health plan network and Mountain States Health Alliance, please call 423-431-6647 for more information.

www.msha.com/Insurance

- Magellan Health Services
- Medicare
- MultiPlan Network
- NovaNet Inc.
- One Call Medical (Norton, Va.)
- Optima Health
- OptumHealth Behavioral Solutions/United Behavioral Health
- PHCS Network
- UMWA Funds
- UnitedHealthcare
- Virginia Health Network
- Virginia Medicaid
- Virginia Premier Health Plan Inc.



7/30/2012

To our fellow physicians:

As you are aware, we in the health care industry face many challenges, as reimbursements from federal and state health plans decline. As part of national health reform, hospitals have agreed to give up \$155 billion in Medicare reimbursements over 10 years, and we at Mountain States Health Alliance are already feeling the effects of these cutbacks in our operations.

At the same time, many employers in our market have switched to high-deductible benefit plans, which place more responsibility on the patient to use health savings accounts to cover the cost of care. Many of those bills are going unpaid. A large portion of those unpaid bills are balances less than \$200, but those balances add up to create a serious obstacle for the health system as we plan for the future. Over the past year, MSHA has experienced a dramatic increase in uncompensated care, which reached \$167 million in fiscal 2012. Our charity care alone has nearly doubled in the past 12 months.

As a result, MSHA will now require pre-payment for all elective procedures in the amount of half of the patient's total out-of-pocket expense. This policy will take effect Sept. 3, 2012 and will apply to qualified procedures that are performed on or after that date.

Patients will be notified of the amount of their obligation prior to admission, and if payment cannot be secured at that time, the elective procedure will be delayed until sufficient payment arrangements can be made. In order to avoid scheduling procedures that will have to be delayed, we are asking referring physicians, when possible, to make patients aware of the hospital's policy before the procedure is scheduled.

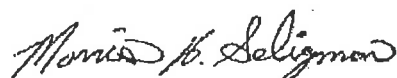
This policy has been in place for the uninsured population for several years, but recent reimbursement challenges have made it necessary to apply the policy to the insured population as well. The procedures affected by this policy are determined by diagnosis code and have been fully vetted by the physician leadership of MSHA. Emergent services are unaffected by the policy; MSHA hospitals will continue to perform these procedures regardless of the patient's ability to pay.

(continued)

March 28, 2013
9:46 am

An appeals process will be in place for exceptional cases. If the referring physician wishes to initiate an appeal, he or she may contact the Chief Medical Officer of the facility in question. Thank you for your understanding and cooperation as we work to create an environment that is sustainable, both for patients and providers. If you have questions, feel free to contact one of the MSHA officials listed below.

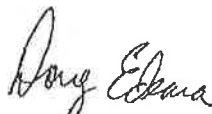
Sincerely,



Morris H. Seligman, MD, FACP
SVP/Chief Medical Officer,
Mountain States Health Alliance
SeligmanMH@msha.com | 423-302-3373



Frank Lauro, DO, FACC, FACO
VP/Chief Medical Officer,
Indian Path Medical Center / Mountain States
Medical Group
LauroFJ@msha.com | 423-857-7100



Douglas Edema, MD
President/Chief Executive Officer
Mountain States Medical Group
EdemaDA@msha.com | 423-915-5195



Clay Runnels, MD
AVP/Medical Director of Emergency Svcs
Mountain States Health Alliance
RunnelsCW@msha.com | 423-431-1983



Jim Paskert, MD
VP/Chief Medical Officer
MSHA Washington County, TN Operations
PaskertJP@msha.com | 423-431-1061



Hughes Melton, MD
VP/Chief Medical Officer,
MSHA Virginia Operations
MeltonSH@msha.com | 276-258-2800



Medically Underserved Areas / Populations (MUA/P)

1. Select Format
2. Filter Results
3. Sort By
4. Columns
5. Summarize
6. Review

User Instructions: "Filter Results" controls the scope of data included in your report. Use the "[Read More](#)"

Available Filters (optional)

Please make one or more selections from the available Country, State data in the list box below and click the Add button. [\[How to select-de-select multiple values?\]](#)

Total Records: 6

to Excel File

Abstract

County/State	Designation Type	HHS Region	IMU Score	Last Activity Date	MCD Code	MCD Designation Name	MU/A/P Data String	MU/A/P ID	MU/A/P Service Area	MU/A/P Status Code	MU/A/P Update Date String	Primary Region	Primary Region Code	Primary State	Primary State Abbreviation	Primary State FIPS Code	Service Area Name	Service Area Type
Carroll County, TN	Medically Underserved Area	Region IV	55.20	1978/11/01			1978/11/01	03179	47019	D		Region IV	04	Tennessee	TN	47	Carroll Service Area	Whole County
Johnson County, TN	Medically Underserved Area	Region IV	51.50	1978/11/01			1978/11/01	03204	47091	D		Region IV	04	Tennessee	TN	47	Johnson Service Area	Whole County
Union County, TN	Medically Underserved Area	Region IV	55.30	2012/05/14			1978/11/01	03234	47171	D	2012/05/14	Region IV	04	Tennessee	TN	47	Union County	Whole County
Washington County, TN	Medically Underserved Area	Region IV	42.20	1994/05/12	471717990540	District 5	1994/05/12	03268	4717990540	D		Region IV	04	Tennessee	TN	47	Bethesda Division Service Area	Partial County
Washington County, TN	Medically Underserved Area	Region IV	42.20	1994/05/12	4717991510	District 8	1994/05/12	03268	4717991510	D		Region IV	04	Tennessee	TN	47	Bethesda Division Service Area	Partial County
Washington County, TN	Medically Underserved Area	Region IV	42.20	1994/05/12	4717991700	District 9	1994/05/12	03268	4717991700	D		Region IV	04	Tennessee	TN	47	Bethesda Division Service Area	Partial County

[Ask Questions](#) | [Viewers & Players](#) | [Privacy Policy](#) | [Disclaimers](#) | [Accessibility](#) | [Freedom of Information Act](#) | [USA.gov](#) | [WhiteHouse.gov](#) | [Recovery.gov](#)



U.S. Department of Health and Human Services
Health Resources and Services Administration

[A-Z Index](#) | [Questions?](#) | [Order Publications](#)

[Home](#) [Get Health Care](#) [Grants](#) [Loans & Scholarships](#) [Data & Statistics](#) [Public Health](#) [About HRSA](#)

Find Shortage Areas: MUA/P by State and County

Shortage
Designation
Home
**Find
Shortage
Areas**
HPSA &
MUA/P by
Address
HPSA by
State &
County
HPSA
Eligible for
the
Medicare
Physician
Bonus
Payment

Criteria:						
State: Tennessee						
County: Carter County						
Johnson County						
Unicoi County						
Washington County						
ID #: All						
Results: 7 records found.						
Name	ID#	Type	Score	Designation Date	Update Date	
Carter County						
Carter Service Area	03179	MUA	55.20	1978/11/01		
MCD (?) Unknown						
Johnson County						
Johnson Service Area	03204	MUA	51.50	1978/11/01		
MCD (?) Unknown						
Unicoi County						
Unicoi County	03234	MUA	59.30	1978/11/01	2012/05/14	
MCD (?) Unknown						
Washington County						
Bethesda Division Service Area	03268	MUA	42.20	1994/05/12		
NEW SEARCH			MODIFY SEARCH CRITERIA			

☐

March 28, 2013

9:46 am



P.O. Box 940
Johnson City, TN 37605-0940

P.O. Box 208
Kingsport, TN 37662-0208

March 26, 2013

Mr. Steve Hopland
Medical Care PLLC
1500 West Elk Avenue
Elizabethton, TN 37643

Dear Mr. Hopland:

State of Franklin Bank, a division of Jefferson Federal Bank, is pleased to offer you the following proposals to finance the purchase of a G.E. 1.5T MRI, as further described in Contract of Sale #092212A from M.E.D. Inc and a GE Signa 1.5T Excite 8-Channel MRI described in Agreement Number 121712-WH from Oxford Instruments, along with related attachments/expenses associated with the installation. The proposal is subject to the satisfactory review of all financial information on the borrower(s) and conditions to meet the bank's lending policy and/or state and federal guidelines and should not be construed to be final approval.

Loan Amount: \$839,000

Interest Rate: 5.00%

Amortization: For a period not to exceed 60 months.

Origination Fee: None.

Repayment Terms: The fixed monthly principal and interest payments based on an amortization period not to exceed 60 months.

Loan to Value: N/A

Collateral: Equipment to be purchased along with all attachments.

Guarantors: Dr. Arnold Hopland, Dr. Jeffery Hopland, Dr. Kenneth Hopland, Steve Hopland and Jennifer Whaley, along with all spouses.

Environmental Assessment: N/A

Insurance: A mortgage policy naming State of Franklin Bank, a division of Jefferson Federal Bank, as mortgagee shall be required at closing.

MAIN OFFICE: 1907 North Roan Street • Johnson City, TN 37601 • Phone (423) 926-3300 • Fax (423) 232-4448

1000 W. Oakland Avenue
Johnson City, TN 37604
Phone (423) 854-2180
Fax (423) 854-2189

612 West Walnut Street
Johnson City, TN 37604
Phone (423) 461-4550
Fax (423) 461-4555

4718 North Roan Street
Johnson City, TN 37615
Phone (423) 722-9800
Fax (423) 926-2105

240 West Center Street
Kingsport, TN 37660
Phone (423) 246-2100
Fax (423) 578-8036

4409 Fort Henry Drive
Kingsport, TN 37663
Phone (423) 239-6290
Fax (423) 239-6291

March 28, 2013

9:46 am

Page 2, Medical Care PLLC, March 26, 2013

Closing Cost: The borrower shall be responsible for all closing costs associated with this loan including but not limited to attorney fees, appraisal fees, environmental assessments or any other cost. If the loan does not close, any fees generated will be paid by the borrower upon request by the bank.

Prepayment: No prepayment fee will be assessed.

Other terms & Conditions: A Balance Sheet and Income Statement, along with prior year tax returns, shall be delivered to the bank on a timely basis after the fiscal year on all borrowers or anytime the bank deems necessary.

The Directors, Officers and staff are pleased you have given the bank the opportunity to review your request. If you have any questions please feel free to call.

Sincerely,



Harvey L. Mitchell

President, Tri-Cities Division

Acceptance of these terms and conditions are required by April 15, 2013 and if approved closed by May 15, 2013. Any changes to these terms and condition shall be in writing and approved by State of Franklin Bank.

Accepted:

BY _____ Title _____ Date _____

HISTORICAL DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in January (Month).

	Year 2010	Year 2011	Year 2012
A. Utilization Data (Specify unit of measure) CPT's	233,492	260,351	254,696
B. Revenue from Services to Patients			
1. Inpatient Services	\$ -	\$ -	\$ -
2. Outpatient Services	\$15,349,854	\$17,411,255	\$18,228,256
3. Emergency Services	-	-	-
4. Other Operating Revenue (Specify) _____	-	-	-
Gross Operating Revenue	\$15,349,854	\$17,411,255	\$18,228,256
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$6,769,519	\$7,612,200	\$8,403,226
2. Provision for Charity Care	920,991	748,684	747,358
3. Provisions for Bad Debt	461,927	554,347	1,044,229
Total Deductions	\$8,152,437	\$8,915,231	\$10,194,813
NET OPERATING REVENUE	\$7,197,417	\$8,496,024	\$8,033,443
D. Operating Expenses			
1. Salaries and Wages	\$1,875,470	\$2,155,904	\$2,290,216
2. Physician's Salaries and Wages	\$2,080,586	\$2,054,709	\$2,106,806
3. Supplies	\$ 174,800	\$ 213,389	\$ 260,316
4. Taxes	\$ 303,499	\$ 354,482	\$ 249,982
5. Depreciation	\$ 376,472	\$ 384,042	\$ 195,462
6. Rent			
7. Interest, other than Capital			
8. Management Fees:			
a. Fees to Affiliates	\$2,357,923	\$2,393,264	\$2,624,563
b. Fees to Non-Affiliates			
9. Other Expenses – Specify on Page 23			
Total Operating Expenses	\$7,168,750	\$7,555,790	\$7,727,345
E. Other Revenue (Expenses) – Net (Specify) _____	\$	\$	\$
NET OPERATING INCOME (LOSS)	\$ 28,667	\$ 940,234	\$ 306,098
F. Capital Expenditures			
1. Retirement of Principal	\$(1,462,695)	\$(506,331)	\$(4,404,830)
2. Interest	149,922	247,016	351,847
Total Capital Expenditures	\$(1,312,773)	\$(259,315)	\$(4,052,983)
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	\$ 1,341,440	\$ 1,199,549	\$ 4,359,081

8:30 AM

03/25/13

Cash Basis

Medical Care PLLC
Profit & Loss
 January through December 2012

	Jan - Dec 12
Ordinary Income/Expense	
Income	
4005-00 · Deposit/daily	7,244,027.48
4015-00 · Pharmacy	788,329.47
4550-00 · Refund	3.00
4560-00 · Returned Checks	-1,161.24
4910-00 · Rebate Income	2,245.10
4975-00 · Bank Errors	-0.30
Total Income	8,033,443.51
Gross Profit	8,033,443.51
Expense	
5500-00 · Payroll Expenses	
5501-00 · Wages -Hourly	24,317.20
5512-00 · Salaries to PA's	85,603.24
5514-00 · Salaries to FNP's	634,207.92
5520-00 · Salaries To MD's	578,267.66
5600-01 · Payments to Officer #1-AH	147,844.82
5600-02 · Payments to Officer #2-JH	237,803.92
5600-04 · Payments to Officer #4-KH	249,776.13
5500-00 · Payroll Expenses - Other	136,992.56
Total 5500-00 · Payroll Expenses	2,094,813.45
5522-00 · Net Paychecks	9,993.13
5750-00 · Bank Service Charges	3,222.31
6020-00 · Employee Benefits	
6028-00 · Others	2,000.00
Total 6020-00 · Employee Benefits	2,000.00
6180-00 · Insurance	
6420-00 · Work Comp	5,321.80
Total 6180-00 · Insurance	5,321.80
6240-00 · Miscellaneous	50.00
6640-00 · Managerial Services	5,830,624.43
6645-00 · Professional Fees	2,438.58
6672-00 · Office Expenses	150.00
6820-00 · Taxes	
6830-00 · Payroll Taxes	84,626.21
6860-00 · Franchise and Excise Taxes	100.00
Total 6820-00 · Taxes	84,726.21
Total Expense	8,033,339.91
Net Ordinary Income	103.60
Other Income/Expense	
Other Expense	
8010-00 · Other Expenses	-100.00
Total Other Expense	-100.00
Net Other Income	100.00
Net Income	203.60

STATE OF TENNESSEE

COUNTY OF CARTER

Judy C. Guinn OF SAID
COUNTY BEING DULY SWORN, DEPOSETH AND
SAITH THAT SHE IS THE ASSISTANT TREASURER
OF THE ELIZABETHTON STAR, A NEWSPAPER
PUBLISHED AT ELIZABETHTON IN THE COUNTY
OF CARTER, STATE OF TENNESSEE, AND THE
ORDER AND NOTICE, OF WHICH IS ANNEXED IS
A TRUE COPY, WHICH WAS PUBLISHED IN SAID
PAPER FOR One Day ~~CONSECUTIVE WEEKS,~~

COMMENCING ON THE 8th DAY OF Mar., 2013
AND ENDING ON THE 8th DAY OF Mar., 2013

Sworn to and subscribed before me this
the 8th day of Mar., 2013

Judy C. Guinn
Nathan C. Goodwin

NOTARY PUBLIC

My commission expires November 19, 2014



NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

March 28, 2013
9:46 am

This is to provide official notice to the Health Services and Development Agency and all interested parties in accordance with T.C.A. § 66-1601 et seq., and the Rules of the Health Services and Development Agency that Medical Care, PLLC, professional private practice, owned by Medical Care, PLLC with an ownership type of professional limited liability company and to be managed by Pine Palms Management, LLC intends to file an application for a Certificate of Need for initiation of magnetic resonance imaging (MRI) services to its patients at 1500 West Elk Avenue in Elizabethton, Carter County, Tennessee. The project costs are \$838,543. The project does not include the acquisition of major medical equipment, will not require facility licensure, and affects no licensed inpatient bed complements.

The anticipated date of filing the application is: March 8, 2013. The contact person for this project is Rachel C. Nelley, Esq., Attorney, who may be reached at Nelley & Company, PLLC, P.O. Box 150731, Nashville, TN 37215, (615) 274-4839.

Upon written request by interested parties, a local Fact-Finding hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
The Frost Building, Third Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1): (A) any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Tennessee Health Services
Development Agency
Attn: Rachel C. Nelley
Certificate-of-Need
Published: March 8, 2013
Cost: \$204.00

Copy

Supplemental #2

Medical Care, PLLC

CN1303-006



SUPPLEMENTAL- # 2

April 8, 2013

12:05 pm

2013 APR 8 PM 12 05

2013 APR 8 PM 12 06
Rachel C. Nelley Attorney
rachel@nelleycompany.com
615.274.4838

April 8, 2013

VIA HAND DELIVERY

Mr. Phillip M. Earhart
Health Services Examiner
TN Health Services and Development Agency
Frost Building, 3rd Floor
161 Rosa L. Parks Boulevard
Nashville, TN 37243

**Re: Certificate of Need Application CN1303-006
Medical Care, PLLC**

Dear Mr. Earhart:

This letter will serve to follow up the filing of the above-referenced certificate of need application and is submitted as a second supplemental response to your e-mail correspondence dated April 1, 2013, wherein additional information or clarification was requested.

1. Section C. Economic Feasibility Item 4

Please specify other expenses in the Projected Data Chart listed in D. Operating Expenses 9. Other Expenses. Also, please remove reference to page 23. If needed, a blank Projected Data Chart is enclosed.

Response: *A revised Projected Data Chart is enclosed.*

2. Section C. Economic Feasibility Item 5

Please recalculate the average deduction from operating revenue and average net charge on page 36 and resubmit a replacement page. Please include contractual deductions in your calculation.

Response: *The requested replacement page 36 is enclosed.*

3. Section C. Economic Feasibility Item 6.A

102 Woodmont Boulevard • Suite 200 • Nashville, TN 37205

MAIL: P.O. Box 150731 • Nashville, TN 37215-0731

TELEPHONE: 615.345.0323 • FACSIMILE: 615.730.6545 • WEBSITE: www.nelleycompany.com

Mr. Phillip Earhart
 April 8, 2013
 Page 2

The table for average gross charge, average projected deduction, average projected net charges, etc. on page 36 of the application is noted. The figures appear to not match the projected data chart totals. Please recheck and include the changes on the same replacement page as referenced in the previous question.

Response: The enclosed replacement page 36 includes the revised table for average gross charge, average projected deduction, average projected net charge, anticipated gross operating revenue and anticipated net operating revenue set forth below:

	Year 1	Year 2
Average Gross Charge	\$1584.55	\$1584.55
Average Projected Deduction	\$691.89	\$691.89
Average Projected Net Charge	\$892.66	\$892.66
Anticipated Gross Operating Revenue	\$4,367,020	\$4,585,688
Anticipated Net Operating Revenue	\$2,460,171	\$2,583,358

4. Section C. Economic Feasibility Item 8

The applicant documents project financial viability on page 39 by stating net operating income less capital expenditures is projected to be \$978,024 in Year One and \$1,023,856 in Year 2 in the Projected Chart. These totals do not match figures in the supplemental Projected Data Chart that includes management fees of \$661,434 in Year One and \$691,414 in Year Two. Please correct and submit a replacement page 39.

Response: The requested replacement page 39 is enclosed and indicates that net operating income less capital expenditures is projected to be \$773,783 in year 1 and \$807,140 in year 2.

5. Section C. Orderly Development, Item 8 and 9

The applicant responded to items 8 and 9 of the Economic Feasibility section rather than the requested items of items 8 and 9 in the Orderly Development section on page 44 of the application. Please provide a response.

Response: The requested responses are set forth below:

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

April 8, 2013

12:05 pm

Mr. Phillip Earhart
April 8, 2013
Page 3

Response: *No such final orders or judgments exist.*

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

Response: *No such final or judgments exist.*

Should you have any questions or require additional information pertaining to this application, please do not hesitate to contact me by telephone at 615.274.4838 or by e-mail at rachel@nelleycompany.com.

Very truly yours,


Rachel C. Nelley
Attorney

Attachments

cc: Steve Hopland, Medical Care, PLLC



2013 MAR 8 AM 10 01

LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Elizabethton Star which is a newspaper of general circulation in Carter (County), Tennessee, on or before March 8, 2013 (Month / day) (Year) for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

Medical Care, PLLC

(Name of Applicant)

professional private practice

(Facility Type-Existing)

owned by: Medical Care, PLLC with an ownership type of professional limited liability company and to be managed by: Pine Palms Management, LLC intends to file an application for a Certificate of Need for [PROJECT DESCRIPTION BEGINS HERE]:

initiation of magnetic resonance imaging (MRI) services to its patients at 1500 West Elk Avenue in Elizabethton, Carter County, Tennessee. The project costs are \$838,543. The project does not include the acquisition of major medical equipment, will not require facility licensure and affects no licensed inpatient bed complements.

The anticipated date of filing the application is: March 13, 2013

The contact person for this project is Rachel C. Nelley, Esq.

(Contact Name)

Attorney

(Title)

who may be reached at: Nelley & Company, PLLC

(Company Name)

PO Box 150731

(Address)

Nashville

(City)

TN

(State)

37215

(Zip Code)

(615) 274-4838

(Area Code / Phone Number)

Rachel C. Nelley

(Signature)

03-06-2013

(Date)

rachel@nelleycompany.com

(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
The Frost Building, Third Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

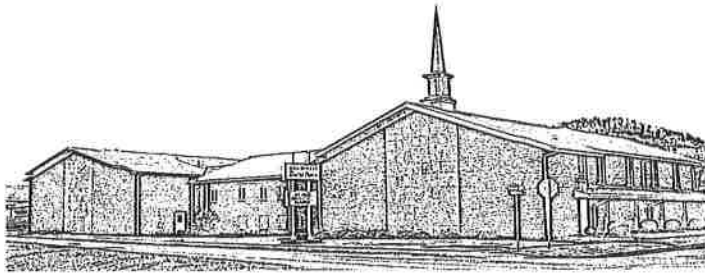
The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

OPPOSITION LETTER(S)

Medical Care, PLLC

Elizabethton (Carter County)

CN1303-006



Oak Street Baptist Church

804 Oak Street

Elizabethton, TN 37643

2013 JUL 22 542-8722 FAX: (423) 542-8722

E-mail: oakstreet@chartertn.net

Website: www.oakstreetbaptist.net

July 17, 2013

Ms. Melanie Hill, Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

RE: Medical Care, LLC, CON for MRI services in Elizabethton, TN

Dear Ms. Hill,

It has come to my attention that Medical Care, LLC of Elizabethton, TN has applied for a Certificate of Need to provide duplicate MRI services in our community. This concerns me, and many others in our community, for at least a couple of reasons:

First, our only community hospital, Sycamore Shoals, has easily handled all the requests for MRI tests a community our size has had need for, including referrals from Medical Care. To have another MRI service in our community will weaken the financial strength and staying power of our only community hospital which is not-for-profit. Since it holds a very important role in making our community self-sufficient and desirable as a place to live and work it concerns me greatly that granting this request would undermine it's medical services and financial stability.

Second, it would appear that Medical Care anticipates prescribing MRI tests at an unprecedented and unreasonable level in the years to come. This is especially troublesome because so many of our citizens are uninsured or on government health care. This means our community will end up paying for these additional tests, even though they must have been unnecessary for good medical care in previous years, but would now somehow become necessary since this expensive equipment would be so readily available to them. It would appear that our health insurance premiums and tax dollars will pay for this new level of medical services provided by Medical Care, even though these services may often be questionable or totally unjustified. Obviously, if this request is granted, they will be compelled to use their MRI equipment at unprecedented new levels for their business to remain financially viable.

Finally, it appears to me that the only ones who will profit by granting this request for MRI services are the primary stakeholders in Medical Care, LLC. On the

Bruce Hendrich
Senior Pastor

Bill Fancher
Worship & Discipleship
Minister

Mark Sklera
Youth Minister

Trena Green
Church Secretary

Jerry Slemp
Chairman of Deacons

Sunday's New Schedule

Traditional Worship
10:00 A.M.

Small Group Bible Study
11:15 A.M.

Non-Traditional Worship
12:00 P.M.

Evening Worship
6:00 P.M.

Adult Choir Practice
7:00 P.M.

Wednesday's Schedule

Children (AWANA)
Celebrate Recovery
6:30 P.M.

Youth Worship
Adult Bible Study & Prayer
7:00 P.M.

other hand, it appears to me that Medical Care patients, and everyone in our community and beyond will suffer, especially if our not-for-profit community hospital eventually has to close it's doors due to aggressive for-profit entities who do not provide the kinds of medical and community services our hospital routinely does.

Our church is committed to our community, and to doing what we can to make it a better community. And, I am committed to our community as well. Since there is much at stake in this decision, I trust you will make it with our community's best interests in mind.

Thank you for taking the time to hear my concerns concerning this request.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bruce Hendrich", with a stylized, flowing script.

Bruce Hendrich, Senior Pastor

Robert E. Reedy, AIA, LEED AP BD+C 7013 000 22 AM 9 54
Carter County Community Board Chairman
613 East Elk Avenue
Elizabethton, TN 37643

July 18, 2013

Ms. Melanie Hill
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Re: Medical Care's request to add MRI services

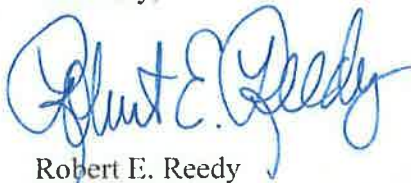
Dear Ms. Hill:

I currently serve as Chairman and have served for ten years as a member of the Community Board for Sycamore Shoals Hospital, a not-for-profit community hospital. I have an obligation to my community to uphold practices that are best for the patient and our community hospital.

I am writing to oppose Medical Care's Certificate of Need for a second MRI within Elizabethton. I believe this request will negatively impact MRI imaging services at Sycamore Shoals Hospital and is an unnecessary duplication of services already available at our community hospital. Sycamore Shoals Hospital MRI services have not come close to being utilized at full capacity and reduced volumes at SSH would place added financial pressure on the community hospital. Knowing that needless duplication of services results in higher costs, it is not in the best interest of the residents and businesses of our community for you to approve the additional MRI as individuals and organizations in this community will bear the burden of these increased costs.

As a business leader and concerned citizen, I respectfully ask you to deny the Certificate of Need application for an additional MRI within Elizabethton.

Sincerely,



Robert E. Reedy
Chairman, Carter County Community Board

RER:jdc

MOUNTAIN EMPIRE RADIOLOGY, P.C.

1301 SUNSET DRIVE, SUITE 3
JOHNSON CITY, TN 37604

2013 JUL 18 AM 10 14

July 11, 2013

Ms. Melanie Hill, Executive Director
State of Tennessee
Health Services and Development Agency
Frost Building, 3rd Floor
161 Rosa L. Parks Boulevard
Nashville, TN 37243

RE: Medical Care, PLLC, CN1303-006

Dear Ms. Hill:

I am a diagnostic Radiologist who completed a family medicine residency at East Tennessee State University in 1989 and a Radiology Residency in 1992. I have lived and worked in the Tri-Cities since that time. As an active member of the Sycamore Shoals Hospital (SSH) medical staff and East TN community for the last 20 years, I feel I am able to provide a balanced perspective of the application of Certificate of Need for a magnetic resonance imaging (MRI) scanner by Medical Care, PLLC.

As the chairman of my group practice, I take great pride in providing high quality, prompt radiologic services. My position gives me intimate knowledge of the referring physicians and whether there are concerns with service, quality or ability to schedule patients for MRI examinations. I have never received information from any physician expressing such concerns.

I am very familiar with MRI service at SSH, as our group reads all of the studies performed at this facility. My practice routinely provides MRI scan reports to referring physicians within 3 hours and stat reports less than one hour after completion. Radiology interpretation and consultation services are provided on a 24/7 basis, as we maintain a presence in MSHA hospitals 24 hours a day. It is not likely that Medical Care will be able to achieve this same level of radiologist support from an out-of-state group reading scans remotely.

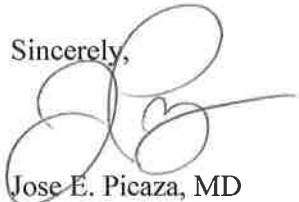
There is no need for an additional MRI in Elizabethton. The present scanner at SSH is available 24/7, however, due to low demand it typically scans only during normal business hours Monday through Friday. A second scanner within Carter County cannot achieve adequate utilization, despite any increases created by Medical Care's self-referral. This would also be contrary to federal reimbursement policy which requires advanced imaging devices to operate at or above 75% utilization (soon to be 90%) in order to receive full reimbursement.

In my opinion, Medical Care's MRI initiative is not in the best interest of the community. Unnecessary duplication of an existing MRI service which is not fully utilized threatens SSH's ability to maintain 24/7 emergency care and other vital patient care services. Furthermore, it will divert much-needed revenue from SSH which is vital to its financial well-being and sustainability.

Mountain States Health Alliance and Sycamore Shoals Hospital have demonstrated their commitment to the Elizabethton community. Action that undermines their services and viability does not serve the community's best interests.

For the reasons expressed above, I urge the Agency to deny the application by Medical Care, PLLC.

Sincerely,



Jose E. Picaza, MD

James M. Shipley, M.D.
1497 West Elk Avenue, Suite 21
Elizabethton, Tennessee 37643

2013 JUL 22 AM 9 58

July 15, 2013

Ms. Melanie Hill, Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Ms. Hill:

As a physician who has cared for patients in Elizabethton, Tennessee for the past twelve years, I want to express my strong opposition for Medical Care, PLLC's application to acquire a magnetic resonance imaging (MRI) scanner for its practice in Elizabethton. I believe this project would both negatively impact the already existing MRI imaging services at Sycamore Shoals Hospital (SSH) and would be an unnecessary and costly duplication of services already readily available in Carter County.

Currently, there is only a minimal wait to have MRI scans done in this county and the current MRI imaging services are of excellent quality. The distance from the proposed MRI scanner at Medical Care, LLC to the current MRI scanner at SSH can be measured in feet and will therefore provide no location advantage for any residents of the county.

With recent changes in both national and local healthcare policy, it has become more important than ever to shift more emphasis towards the long-range health of the community as a whole. Likewise, it is becoming increasingly important for healthcare providers to be able to both share and have access to information easily, as well as to be able to partner and participate with their patients in every aspect of their medical care in order to promote continuity and avoid excessive duplication of services. I fear that adding another MRI scanner to such a small community will not only serve to further fragment care in this area but will also needlessly increase healthcare costs for both individuals and businesses in this community.

I therefore respectfully ask you to take into consideration the long-range needs of this community and deny this proposal.

Sincerely,



James M. Shipley, M.D.

Jo Ann F. Blankenship
Carter County Commissioner, 5th District
144 Unaka View Rd.
Johnson City, TN 37601

2013 JUL 22 AM 9 57

July 17, 2013

Mrs. Melanie Hill, Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Mrs. Hill:

My name is JoAnn F. Blankenship, and I have served as a member of the community board at Sycamore Shoals from 2006 - 2013. As a community leader, I have served Carter County as a County Commissioner since 1999. I have served as chairperson for both the Health and Welfare committee and Financial Management committee. I also serve as a County representative on the Board of Health for Carter County. I am a retired Registered Nurse with 38 years of experience in multiple settings. I want to express my strong opposition for the application submitted by Medical Care, PLLC, to acquire a magnetic resonance imaging (MRI) scanner for their practice in Elizabethton.

Upon research certain facts are very evident:

- Sycamore Shoals Hospital is a not-for-profit, community hospital and the only hospital in Carter County
- Sycamore Shoals Hospital has for several years and continues to offers MRI services
- Studies have shown physicians order more tests when they own the diagnostic equipment (self-referral)
- More diagnostic testing increases health care costs to our local businesses and the community
- The loss of business would have negative financial consequences on Sycamore Shoals Hospital
- Sycamore Shoals Hospital takes care of a large percentage of patients that have no ability to pay and can't absorb this profitable service being taken away

As a community leader, I would ask that you please review the points that I have brought forward in opposition to the application by Medical Care, PLLC, for an MRI scanner for their practice in Elizabethton. As a member of the County Commission, I am tasked to do what is in the best interest of the citizens of Carter County. Based on my research, I do not see how this additional MRI could do anything but lead to duplication of services and many unnecessary procedures being performed. The end result would be a higher cost to the healthcare of the citizens of Carter County and taking necessary funds away from our only hospital.

Sincerely yours,



Jo Ann F. Blankenship

MS Melanie Hill

2013 JUL 22 AM 9 56 July 14, 2013

Executive Director

State of Tennessee Health & Development Agency

500 Deaderick St, Suite 850

Nashville, TN 37243

Dear Ms Hill,

I have been a member of the Community Board for Sycamore Shoals Hospital for many years, having served in many capacities, including Chairman. I have a strong desire to see that the integrity of our hospital is maintained, especially financially, in these difficult times in health care delivery.

We do not attempt to be all things to all people in the services provided at Sycamore Shoals. We have a level one trauma center nearby at the Johnson City Medical Center but we handle the normal day-to-day needs of our community with skill and at a reasonable cost. We, like all hospitals, have patients who are treated that have no ability to pay. One of the ways we are able to do this is through utilization of our out-patient services.

I am writing in opposition to the Certificate of Need currently before you for another MRI to be located here in Elizabethton by Dr. Hopland.

As a business person I like to see everyone succeed and prosper. I trust that Mr. Hopland and his associates do well in their endeavor to deliver health care services to our community. Their desire to add another MRI to our market area however will be detrimental to Sycamore Shoals Hospital and to the consumer.

It is a proven fact that physicians who own their own diagnostic equipment will have a much higher utilization than those who simply refer the patient to another facility.

Our hospital has not even come close to fully using the capacity of our MRI services. The demand for health care services nationwide and here locally have decreased dramatically over the recent years due to many factors. Reduced volumes at Sycamore Shoals Hospital have already put significant financial pressure on us. Allowing an expensive, unnecessary duplicative piece of medical equipment would further harm our ability to continue our mission here in Elizabethton.

I respectfully request that the CON be denied.

A handwritten signature in black ink, reading "David Wortman". The signature is fluid and cursive, with a horizontal line extending from the end of the name.

David Wortman

Sycamore Shoals Hospital Community Board Member

1824 Green Briar Cr

Elizabethton, TN 37643

423-943-8250

2013 JUL 22 AM 9 56

July 17, 2013

Ms. Melanie Hill
Executive Director
State of Tennessee Health & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Ms. Hill,

As a past community board member of Sycamore Shoals Hospital as well as a concerned citizen, I would like to take the opportunity to relate my strong opposition for Medical Care, PLLC's request to add MRI services in Elizabethton, TN. I feel this duplication of service will have a negative impact for Sycamore Shoals Hospital by increasing health care costs to area business.

As a community banker I strongly believe in fair enterprise practices. Mr. Hopland's projected 2,756 annual MRI scans are extremely inflated compared to Sycamore Shoals Hospital's 2012 actual count of 1,869 scans. This proves that Medical Care will perform unnecessary scans and will contribute to the already increasing health care costs. In fact, this service, along with many health care services locally and nationwide, has dramatically decreased over the recent years due to high deductible health plans as well as many other factors.

Sycamore Shoals Hospital is a not-for-profit, community hospital, and therefore takes great pride in keeping health care costs to a minimum for our community. Sycamore Shoals Hospital is a significant community asset and is always committed to providing all of the health care needs to the community. Reduced volumes have already put significant financial pressure on the hospital and with your approval of Medical Care, PLLC's Certificate of Need, further harm will be substantial to the hospital's ability to take care of a large percentage of self-pay patients as well as its ability to absorb profitable services being taken away. Please join me, as well as the many community leaders and citizens in Carter County, Tennessee in agreeing that approval of this Certificate of Need for Medical Care, LLC will cause more harm to the rising health care costs in our great community.

Respectfully,


John Wagner, Jr.

July 8, 2013

Ms. Melanie Hill
Executive Director
Tennessee Health Services & Development Agency
Frost Building, 3rd Floor
Rosa L. Parks Boulevard
Nashville, TN 37243

RE: Certificate of Need Application No. CN1303-006
Medical Care, PLLC
Initiation of Magnetic Resonance Imaging (MRI) Services

Dear Ms. Hill

This letter is submitted on behalf of Mountain States Health Alliance ("MSHA") in opposition to the project referenced above. The project in question involves a proposed Magnetic Resonance Imaging ("MRI") service in Carter County. MSHA has several entities in Carter County including Sycamore Shoals Hospital ("SSH"), an urgent care center, and multiple owned physician practices, including a Patient-Centered Medical Home (certified as Level 3 by the National Committee for Quality Assurance). SSH does own and operate a hospital-based MRI service.

The reasons for MSHA's opposition to this project include the following:

- There is an existing MRI unit already located in Carter County at SSH. This unit has experienced declining volumes in recent years and it has ample excess capacity. This unit will accommodate the MRI needs of the community for the foreseeable future.
- Since there is excess capacity in Carter County, the proposed service would simply duplicate existing services. The unnecessarily duplicative nature of this project is exacerbated by the fact that its location is literally across the street from SSH and its existing MRI service.
- A redundant MRI program in the community would impact the financial viability of SSH's current MRI program and have an adverse significant negative impact on SSH.



MOUNTAIN STATES HEALTH ALLIANCE

2013 JUL 9 AM 9 32

In summary, the project does meet the statutory criteria for approval and thus should be denied. Representatives of MSHA will be present at the Agency's meeting on July 24 to explain further the reasons for opposition and to answer any questions the Agency may have. Thank you for your attention to this matter.

Sincerely,

Allison Rogers
Vice President, Strategic Planning
Mountain States Health Alliance

Cc: Rachel C. Nelley, Nelley & Company, PLLC
Dan Elrod, Butler Snow, O'Mara, Stevens & Cannada, PLLC
Dwayne Taylor, CEO of Sycamore Shoals Hospital



2013 JUL 16 AM 9 27

July 15, 2013

Ms. Melanie Hill
Executive Director
Tennessee Health Services & Development Agency
Frost Building, 3rd Floor
Rosa L. Parks Boulevard
Nashville, TN 37243

RE: Certificate of Need Application No. CN1303-006
Medical Care, PLLC
Initiation of Magnetic Resonance Imaging (MRI) Services

Dear Ms. Hill

Please accept the enclosed letters related to this specific project. As noted previously, representatives of MSHA will be present at the Agency's meeting on July 24 to explain further the reasons for its opposition and to answer any questions the Agency may have. Thank you for your attention to this matter.

Sincerely,

Allison Rogers
Vice President, Strategic Planning
Mountain States Health Alliance

Cc: Rachel C. Nelley, Nelley & Company, PLLC
Dan Elrod, Butler Snow, O'Mara, Stevens & Cannada, PLLC
Dwayne Taylor, CEO of Sycamore Shoals Hospital

2013 JUL 16 AM 9 27

June 14, 2013

Ms. Melanie Hill, Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Ms. Hill:

As a physician caring for patients in Elizabethton, TN, I want to express my strong opposition for Medical Care, PLLC's application to acquire a magnetic resonance imaging (MRI) scanner for its practice in Elizabethton. I believe this project will negatively impact MRI imaging services at Sycamore Shoals Hospital (SSH) and is an unnecessary duplication of services already sufficiently available at SSH.

Not only does this proposed duplication of healthcare services counteract the intent of the healthcare reform bill but this will also directly impact our local community. Knowing that the needless duplication of services results in higher costs, it is not in the best interest of the citizens and businesses of Elizabethton to approve the proposed additional imaging services in the area as the individuals and organizations in this community will bear the burden of these increased costs.

I respectfully ask you to deny this proposal.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sheryl Pack".

Sheryl Pack, MD

2013 JUL 16 AM 9 27

June 27, 2013

Ms. Melanie Hill, Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Ms. Hill:

As a physician caring for patients in Elizabethton, TN, I want to express my strong opposition for Medical Care, PLLC's application to acquire a magnetic resonance imaging (MRI) scanner for its practice in Elizabethton. I believe this project will negatively impact MRI imaging services at Sycamore Shoals Hospital (SSH) and is an unnecessary duplication of services already sufficiently available at SSH.

Not only does this proposed duplication of healthcare services counteract the intent of the healthcare reform bill but this will also directly impact our local community. Knowing that the needless duplication of services results in higher costs, it is not in the best interest of the citizens and businesses of Elizabethton to approve the proposed additional imaging services in the area as the individuals and organizations in this community will bear the burden of these increased costs.

I respectfully ask you to deny this proposal.

Sincerely,

A handwritten signature in cursive script that reads "David Fenner M.D.".

David Fenner, MD

2013 JUL 16 AM 9 27

June 26, 2013

Ms. Melanie Hill, Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Ms. Hill:

As a physician who refers patients for magnetic resonance imaging (MRI) services in Elizabethton, TN, I am fully satisfied with the current imaging services offered at Sycamore Shoals Hospital (SSH) in Elizabethton, TN. In relation to Medical Care, PLLC's application for an MRI scanner to address access issues for patients in this community, I want to express that I do not experience any issues in referring my patients for MRI services at SSH due to financial or scheduling barriers.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew Keibler". The signature is fluid and cursive, with the first name "Matthew" and last name "Keibler" clearly distinguishable.

Matthew Keibler, DO

2013 JUL 16 AM 9 27

June 26, 2013

Ms. Melanie Hill, Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Ms. Hill:

As a physician who refers patients for magnetic resonance imaging (MRI) services in Elizabethton, TN, I am fully satisfied with the current imaging services offered at Sycamore Shoals Hospital (SSH) in Elizabethton, TN. In relation to Medical Care, PLLC's application for an MRI scanner to address access issues for patients in this community, I want to express that I do not experience any issues in referring my patients for MRI services at SSH due to financial or scheduling barriers.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script that reads "R. Walter, MD". The signature is written in dark ink and is positioned below the word "Sincerely,".

Robert Walter, MD

2013 JUL 16 AM 9 28

June 26, 2013

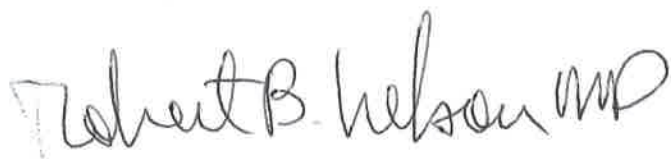
Ms. Melanie Hill, Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Ms. Hill:

As a physician who refers patients for magnetic resonance imaging (MRI) services in Elizabethton, TN, I am fully satisfied with the current imaging services offered at Sycamore Shoals Hospital (SSH) in Elizabethton, TN. In relation to Medical Care, PLLC's application for an MRI scanner to address access issues for patients in this community, I want to express that I do not experience any issues in referring my patients for MRI services at SSH due to financial or scheduling barriers.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink that reads "Robert B. Nelson MD". The signature is written in a cursive, flowing style.

Robert Nelson, MD

2013 JUL 16 AM 9 28

June 26, 2013

Ms. Melanie Hill, Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Ms. Hill:

As a physician who refers patients for magnetic resonance imaging (MRI) services in Elizabethton, TN, I am fully satisfied with the current imaging services offered at Sycamore Shoals Hospital (SSH) in Elizabethton, TN. In relation to Medical Care, PLLC's application for an MRI scanner to address access issues for patients in this community, I want to express that I do not experience any issues in referring my patients for MRI services at SSH due to financial or scheduling barriers.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin Digby, MD". The signature is stylized with a large initial "J" and "D".

Justin Digby, MD

2013 JUL 16 AM 9 28

June 26, 2013

Ms. Melanie Hill, Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Ms. Hill:

As a physician who refers patients for magnetic resonance imaging (MRI) services in Elizabethton, TN, I am fully satisfied with the current imaging services offered at Sycamore Shoals Hospital (SSH) in Elizabethton, TN. In relation to Medical Care, PLLC's application for an MRI scanner to address access issues for patients in this community, I want to express that I do not experience any issues in referring my patients for MRI services at SSH due to financial or scheduling barriers.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in dark ink, appearing to read "James Goss". The signature is fluid and cursive, with a large initial "J" and a stylized "G".

James Goss, MD

2013 JUL 16 AM 9 28

June 26, 2013

Ms. Melanie Hill, Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Ms. Hill:

As a provider who refers patients for magnetic resonance imaging (MRI) services in Elizabethton, TN, I am fully satisfied with the current imaging services offered at Sycamore Shoals Hospital (SSH) in Elizabethton, TN. In relation to Medical Care, PLLC's application for an MRI scanner to address access issues for patients in this community, I want to express that I do not experience any issues in referring my patients for MRI services at SSH due to financial or scheduling barriers.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in dark ink, appearing to read 'JH', followed by a horizontal line extending to the right.

James Haire, PA

SUPPORT LETTER(S)

Medical Care, PLLC

Elizabethton (Carter County)

CN1303-006

MEDICAL CARE LLC



Providing the best of both worlds

MEDICAL CARE PLLC

www.medicalcarepllc.com

2013 JUL 17 AM 9 48

Family Practice

Lori Church, MD
Richard E. Galloway, MD
Jeffrey A. Hopland, MD
Kenneth M. Hopland, MD
Cynthia Partain, MD
C. Steve Webb, MD

General Practice

Arnold O. Hopland, MD

Gynecology

Scott E. May, MD

Internal Medicine

Peter M. Caravella, MD
Doraine Draper, DO

Pediatrics

P. Lucy Kumar, MD

Physician Assistant

Steven Gardner, PA

Advanced Practical Nurses

Joey Hunsinger, APN
Christin Johnson-Jones, APN
Audrey Laney, APN
Amanda Moorhouse, APN
Alice J. Myers, APN
Ashley Mills-Patton, APN
Kavla Norman, APN
Shannon Rowe, APN
Jimmie Ryals, APN
Debbie Wells-Good, APN

Ms. Melanie Hill Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

July 16, 2013

Dear Ms. Hill:

Continuity and coordination of diagnostic imaging is critical to provide the highest level of patient care. By allowing Medical Care PLLC to provide MRI services will dramatically improve my capabilities to diagnose and treat my patients more quickly and accurately. I believe that an MRI at Medical Care would improve patient compliance and therefore my ability to care for my patients. Please allow Medical Care PLLC to improve medical care to the citizens of Carter County by allowing them to provide this service.

Sincerely,

Medical Care, PLLC

MEDICAL CARE LLC



MEDICAL CARE PLLC

www.medicalcarepllc.com

2013 JUL 17 AM 9 48

Family Practice

Lari Church, MD
Richard E. Galloway, MD
Jeffrey A. Hopland, MD
Kenneth M. Hopland, MD
Cynthia Partain, MD
C. Steve Webb, MD

General Practice

Arnold O. Hopland, MD

Gynecology

Scott E. May, MD

Internal Medicine

Peter M. Caravella, MD
Dianne Draper, DO

Pediatrics

P. Lucy Kumar, MD

Physician Assistant

Steven Gardner, PA

Advanced Practical**Nurses**

Joey Hunsinger, APN
Christin Johnson-Jones, APN
Audrey Laney, APN
Amanda Moorhouse, APN
Alice J. Myers, APN
Ashley Mills-Patton, APN
Kayla Norman, APN
Shaunon Rowe, APN
Jimmie Ryals, APN
Debbie Wells-Good, APN

Ms. Melanie Hill Executive Director
State of Tennessee

Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

July 16, 2013

Dear Ms. Hill:

I would like to offer support for Medical Care PLLC and its application to provide MRI services in Carter County. As a healthcare provider in Elizabethton I have found that many of the MRI referrals that are made to Sycamore Shoals hospital in Elizabethton are actually scheduled at one of Mountain State Health Alliance's facilities in Johnson City. I feel that this is an unnecessary hardship on my patients and that I would be able to provide better, more convenient care for those requiring an MRI if the service were to be made available at Medical Care PLLC.

Sincerely,

Medical Care, PLLC

MEDICAL CARE LLC



"My heart is my life's passion"

MEDICAL CARE PLLC

www.medicalcarepllc.com

2013 JUL 17 AM 9 48

Family Practice

Lori Church, MD
Richard E. Galloway, MD
Jeffrey A. Hopland, MD
Kenneth M. Hopland, MD
Cynthia Partain, MD
C. Steve Webb, MD

General Practice

Arnold O. Hopland, MD

Gynecology

Scott E. May, MD

Internal Medicine

Peter M. Caravello, MD
Dianne Draper, DO

Pediatrics

P. Lucy Kumar, MD

Physician Assistant

Steven Gardner, PA

**Advanced Practical
Nurses**

Joey Hunsinger, APN
Christina Johnson-Jones, APN
Audrey Lane, APN
Amanda Moorhouse, APN
Alice J. Myers, APN
Ashley Mills-Patton, APN
Kayla Norman, APN
Shannon Rowe, APN
Jimmie Ryals, APN
Debbie Wells-Good, APN

Ms. Melanie, Hill Executive Director

State of Tennessee

Health Services and Development Agency

500 Deaderick Street, Suite 850

Nashville, TN 37243

July 16, 2013

Dear Ms. Hill:

As a provider who cares for patients in Carter County and Elizabethton, TN, I would like offer formal support of Medical Care, PLLC's application for magnetic resonance imaging (MRI) services in Carter County. In the past I have had patients who have chosen to delay or even avoid getting an MRI because of high cost of getting an MRI at Sycamore Shoals Hospital. In the event my patients have chosen to have the MRI, I have had difficulty receiving results from Sycamore Shoals Hospital. I believe that an MRI at Medical Care PLLC would allow me to take better care of my patients.

Sincerely,

Medical Care, PLLC

MEDICAL CARE LLC



"Helping you work on Heart"

MEDICAL CARE PLLC

www.medicalcarepllc.com

2013 JUL 17 AM 9 47

Family Practice

Levi Church, MD
Richard E. Galloway, MD
Jeffrey A. Hopland, MD
Kenneth M. Hopland, MD
Cynthia Partam, MD
C. Steve Webb, MD

General Practice

Arnold O. Hopland, MD

Gynecology

Scott E. May, MD

Internal Medicine

Peter M. Caravallo, MD
Dianne Draper, DO

Pediatrics

P. Lucy Kumar, MD

Physician Assistant

Steven Gardner, PA

Advanced Practical

Nurses

Joey Hunsinger, APN
Christin Johnson-Jones, APN
Audrey Laney, APN
Amanda Moorhouse, APN
Alice J. Myers, APN
Ashley Mills-Patton, APN
Kayla Norman, APN
Shannon Rowe, APN
Jimmie Ryals, APN
Debbie Wells-Good, APN

Ms. Melanie, Hill Executive Director

State of Tennessee

Health Services and Development Agency

500 Deaderick Street, Suite 850

Nashville, TN 37243

July 16, 2013

Dear Ms. Hill:

As a provider who cares for patients in Carter County and Elizabethton, TN, I would like to strongly support Medical Care, PLLC's application to initiate MRI services in Carter County. I believe that improved technology and improved access along with lower costs is in the best interest of my patients.

Sincerely,

Medical Care, PLLC

801 E. Elk Avenue, Suite 201
Elizabethton, TN 37643



6 AM 9 47

Telephone: 423-542-1801
Fax: 423-542-9279
E-mail: mayor@cartercountyttn.gov

LEON HUMPHREY
COUNTY MAYOR

July 11, 2013

Ms. Melanie Hill
Executive Director
Health Services Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Reference: Certificate of Need
Medical Care, PLLC/Elizabethton, TN

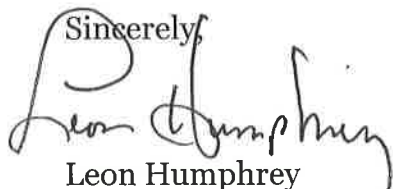
Ms. Hill:

Medical Care, PLLC has provided quality medical services to the citizens of Carter County for 25 plus years. The organization has proven to be an excellent community partner by being extremely proactive in its response to the ongoing need for expanded levels of professional service. The most current effort toward that end is its proposed outpatient diagnostic center equipped with a MRI Unit.

It is my understanding the MRI equipment that will be placed on line has the capability of conducting studies that are currently not available in Carter County. With this, the citizens will have significantly improved care options with the additional benefit of lower cost through better access.

I strongly support and respectfully request that Medical Care, PLLC's Certificate of Need be approved.

Thank you for your time and consideration with this matter.

Sincerely,

Leon Humphrey

State of Franklin OB/GYN Specialists
Johnson City Internal Medicine Associates
Johnson City Pediatrics
FirstChoice Family Practice
FirstChoice Internal Medicine
FirstChoice Pediatrics
Family Physicians of Johnson City



Blue Ridge Family Medicine
Pinnacle Family Medicine
SoFHA Central Laboratory
SoFHA Clinical Trials
SoFHA Physical Therapy
SoFHA Sleep Center, DME and PFT
SoFHA Walk-In Clinic

July 11, 2013

Ms. Melanie Hill
Health Services and Development Agency
161 Rosa L. Parks Blvd.
Nashville, TN 37243

RE: Medical Care, PLLC
CON Application CN1303-006 MRI

Dear Ms. Hill:

State of Franklin Healthcare Associates, PLLC, (SoFHA) supports the Medical Care, PLLC, application to establish an MRI service in the community of Elizabethton and Carter County. This project will contribute to the orderly development of MRI services in surrounding areas such as Unicoi and Johnson Counties as well without adversely affecting the existing providers.

We appreciate your consideration of this needed service, and respectfully request your approval of this CON Application CN1303-006 MRI.

Sincerely,

Richard Panek
CEO – SoFHA



July 18, 2013

Ms. Melanie Hill
Tennessee Health Services Development Agency
Nashville, TN

Letter of Support for CON Application

Dear Ms. Hill:

I am writing in support of the Certificate-of-Need (CON) application submitted by Medical Care, LLC for an MRI unit in their Elizabethton Office. Wellmont Health System, through the Wellmont CVA Heart Institute (CVA), operates an office in Elizabethton and currently serves approximately 5,000 active patients in Carter and Johnson Counties. A high-quality MR unit conveniently located in an outpatient setting in Elizabethton will improve overall access and will be a significant benefit for CVA's patients.

Thank you for this opportunity to express Wellmont Health System's support of this application.

Sincerely,

A handwritten signature in blue ink, appearing to read "Denny DeNarvaez", with a long, sweeping flourish extending to the right.

Denny DeNarvaez
Chief Executive Officer
Wellmont Health System

1905 American Way
Kingsport, TN 37660
423.230.8200

July 18, 2013
135 Brittany Drive
Gray, TN 37615

To whom it may concern,

My name is Wendy Wilgus. I am writing to support Medical Care's Certificate of Need for an MRI.

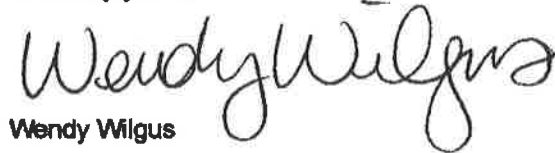
My husband works for Eastman Chemical Company and our family has Cigna insurance through Eastman. Cigna insurance is not accepted at any Mountain States Health Alliance (MSHA) facilities. We, like many other Eastman employees, live in Washington County. We have no access to any MR imaging in Washington, Carter or Johnson counties. We need MRI and many other services that are unavailable to us without a significant drive to Kingsport.

Eastman is one of the state's largest employers, and our insurance is not accepted by the largest healthcare system in the area, creating a hardship and healthcare risk for our families.

Medical Care accepts our insurance and would give us the access we so badly need to MRI as well as other services. When MSHA dropped Cigna, we had no CT or mammogram services in Washington County available to us except those services provided by Medical Care. They are providing services we need and have no access to through MSHA.

Please consider approval of the MRI at Medical Care so my family like many others in the area will have access to services which we are currently being denied by MSHA.

Sincerely yours,

A handwritten signature in cursive script that reads "Wendy Wilgus". The signature is written in dark ink and is positioned above the printed name.

Wendy Wilgus

Ms. Melanie Hill
Tennessee Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Re: Application by Medical Care, PLLC, CN1303-006

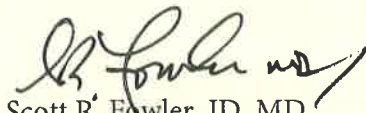
Dear Ms. Hill:

Please accept this letter of support for the Medical Care, PLLC application for a certificate of need for MRI services.

Medical Care, PLLC is a member of Qualuable Medical Professionals, LLC, an accountable care organization comprised of over 500 physicians, and nearly 30,000 patients. Qualuable covers Sullivan, Washington, and Carter counties in Northeast Tennessee. The addition of MRI services at Medical Care, PLLC will strengthen the ability of Qualuable to provide high quality, low cost care to patients in our region.

I appreciate this opportunity to comment on the proposal by Medical Care, PLLC, and I urge the Agency to approve its application.

Sincerely,


Scott R. Fowler, JD, MD
President and CEO

Cc Steve Hopland

**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF HEALTH STATISTICS
615-741-1954**

DATE: July 1, 2013

APPLICANT: Medical Care, PLLC
1500 West Elk Avenue
Elizabethton, Tennessee

CONTACT PERSON: Rachel C. Nelley, Esquire
Nelly & Company, PLLC
P.O. Box 150731
Nashville, Tennessee 37215

COST: \$838,543

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's Health: Guidelines for Growth, 2011 Edition*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, Medical Care, PLLC, located in Elizabethton, (Carter County), Tennessee, seeks Certificate of Need (CON) approval to acquire a GE Signa Excite 1.5 Tesla stationary magnetic resonance imaging (MRI) scanner system and initiate MRI services to its patients.

Medical Care, PLLC, is a NCQA certified level 3 Patient Centered Medical Home multispecialty medical practice with 17 physicians and 14 physician extenders in specialties that include family practice, general practice, internal medicine, general surgery, gynecology, and pediatrics with office locations in Elizabethton, Hampton, and Johnson City, Tennessee. The proposed MRI will be located in the Elizabethton office at 1500 West Elk Avenue and will occupy 674 square feet of space in the medical practice's existing radiology storage space which leased from Pine Palms Management, LLC. The total cost of modifying the existing space is \$80,220 or \$119 per square foot.

Medical Care, PLLC is a family owned professional limited liability company whose members are Arnold Hopland, MD (33.33%), Jeffery Hopland, MD (33.33%), and Kenneth Hopland, MD (33.33%). The physician owners are all duly licensed in Tennessee and practice at Medical Care, PLLC.

Pine Palms Management, LLC (formerly known as Medical Care, PLLC) owns all the assets utilized by the medical practice of Medical Care, PLLC, including real estate and equipment, is also a closely held family business.

The total estimated project cost is \$838,543 and will be financed through a 5 year loan from State of Franklin Bank of \$839,000 as documented in a letter from the President of the Tri-Cities Division located in Supplemental 1.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition*.

an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

Not applicable. This project is for a fixed MRI.

- c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

Not Applicable.

- d. Mobile MRI units shall not be subject to the need standard in paragraph 1 b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's Service Area are not adequate and/or that there are special circumstances that require these additional services.

Not Applicable.

- e. Hybrid MRI Units: The HSDA may evaluate a CON application for an MRI "hybrid" Unit (an MRI Unit that is combined/utilized with another medical equipment such as a megavoltage radiation therapy unit or a positron emission tomography unit) based on the primary purposes of the Unit.

Access to MRI Units.

All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

Medical Care, PLLC reports that 99.66% of their patients reside in Carter, Johnson, Washington, and Unicoi counties where no viable competitors exist. Carter County 45.79%, Washington County 37.71%, Sullivan County 5.68%, Johnson County 3.88%, Unicoi County 3.28%, and 3.65% of their patients resided outside the proposed service area. Based on their experience, the applicant believes the proposed location will prove accessible to at least 75% of the service area's population.

Economic Efficiencies:

All applicants for any proposed new MRI Unit should document that alternate shared and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

The applicant considered doing nothing as an alternative but this approach did not address the issues that Medical Care, PLLC is attempting to resolve through this application.

Another alternative considered was to partner with an existing MRI provider. However, Sycamore Shoals Hospital is the only existing MRI provider in Carter County and they have not been willing to partner in radiology services in the past.

A mobile MRI was considered but rejected due to the current and future patient care needs of Medical Care, PLLC.

Need Standard for non-Specialty MRI Units

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve-month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 5 days per week x 50 weeks per year = 3,600 procedures per year

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

Service Area MRI Utilization, 2011

Facility	County	Fixed Units	Procedures	Mobile Units	Procedures
Sycamore Shoals Hospital	Carter	1	1,958	0	0
Johnson County Community Hospital	Johnson	1	274	0	0
Appalachian Orthopedic Associates	Sullivan	2	1,748	0	0
Bristol Regional Medical Center	Sullivan	2	6,447	0	0
Holston Valley Imaging Center, LLC	Sullivan	3	8,362	0	0
Holston Valley Medical Center	Sullivan	1	3,774	0	0
Indian Path Medical Center	Sullivan	1	2,651	0	0
Meadowview Outpatient Diagnostic Center	Sullivan	1	4,457	0	0
Sapling Grove Imaging, LLC	Sullivan	1	349	0	0
Sapling Grove Outpatient Diagnostic Ctr.	Sullivan	1	2,587	0	0
Volunteer Parkway Imaging Center	Sullivan	1	1,327	0	0
Unicoi County Memorial Hospital	Unicoi	1	1,630	0	0
Appalachian Orthopaedic Associates	Washington	1	546	0	0
Franklin Woods Community Hospital	Washington	1	3,546	0	0
Johnson City Medical Center	Washington	2	7,247	0	0
Mountain States Imaging	Washington	1	2,738	0	0
Watauga Orthopedics, LLC	Washington	1	2,748	0	0
		22	52,389	0	0

Source: Health Services and Development Agency Equipment Registry

The 22 MRIs in the applicant's service area collectively averaged 2,381 procedures per unit in 2011.

The combined utilization of existing providers minus the mobile services is 2,829 in 2011. The applicant contends the existing utilization in the most current 12-month period was 2,889, or greater than the threshold of 2,880.

Need Standards for Specialty MRI Units

Dedicated fixed or mobile Breast MRI Unit

An applicant proposing to acquire a dedicated fixed or mobile breast MRI unit shall not receive a CON to use the MRI unit for non-dedicated purposes and shall demonstrate that annual utilization of the proposed MRI unit in the third year of operation is projected to be at least 1,600 MRI procedures (.80 times the total capacity of 1 procedure per hour times 40 hours per week times 50 weeks per year), and that:

1. It has an existing and ongoing working relationship with a breast-imaging radiologist or radiology proactive group that has experience interpreting breast images provided by mammography, ultrasound, and MRI unit equipment, and that is trained to interpret images produced by an MRI unit configured exclusively for mammographic studies;

Not applicable.

2. Its existing mammography equipment, breast ultrasound equipment, and the proposed dedicated breast MRI units are in compliance with the federal Mammography Quality Standards Act;

Not applicable.

3. It is part of or has a formal affiliation with an existing healthcare system that provides comprehensive cancer care, including radiation oncology, medical oncology, surgical oncology and an established breast cancer treatment program that is based in the proposed service area.

Not applicable.

4. It has an existing relationship with an established collaborative team for the treatment of breast cancer that includes radiologists, pathologists, radiation oncologists, hematologist/oncologists, surgeons, obstetricians/gynecologists, and primary care providers.

Not applicable.

Dedicated fixed or mobile Extremity MRI Unit.

An applicant proposing to institute a Dedicated fixed or mobile Extremity MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Extremity MRI Unit and a CON granted for this use should so state on its face.

Not applicable.

Dedicated fixed or mobile Multi-position MRI Unit

An applicant proposing to institute a Dedicated fixed or mobile Multi-position MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a dedicated fixed or mobile Multi-position MRI Unit and a CON granted for this use should so state on its face.

Not applicable.

Separate Inventories for Specialty MRI Units and non-Specialty MRI Units.

If data availability permits, Breast, Extremity, and Multi-position MRI Units shall not be counted in the inventory of non-Specialty fixed or mobile MRI Units, and an inventory for each category of Specialty MRI Unit shall be counted and maintained separately. None of the Specialty MRI Units may be replaced with non-Specialty MRI fixed or mobile MRI Units and a Certificate of Need granted for any of these Specialty MRI Units shall have included on its face a statement to that effect. A non-Specialty fixed or mobile MRI Unit for which a CON is granted for Specialty MRI Unit purpose use-only shall be counted in the specific Specialty MRI Unit inventory and shall also have stated on the face of its Certificate of Need that it may not be used for non-Specialty MRI purposes.

Noted by applicant.

Patient Safety and Quality of Care

The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

The proposed MRI has been approved by the FDA. (See Attachment B.II.1.a.4.).

b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The location of the magnet, installation of proper safety mechanisms, and documentation, training and implementation of all appropriate safety policies and procedures applicable to federal standards, manufacturer's specifications and licensing agencies will be established and enforced.

c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

The applicant will adhere to the ACR Guidance Document for Safe MRI Practices published by the American College for Radiology included in Attachment C.1.a.MRI Standards and Criteria 7.c. A physician will be on premises and technician(s) appropriately trained in emergency response procedures will be present when patients are being scanned. A crash cart stocked with appropriate equipment and medications will be maintained at all times.

d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant will adhere to the ACR Practice Guideline for Performing and Interpreting Magnetic Resonance Imaging (MRI). In addition, Medical Care, PLLC will ensure that all MRI studies will require a physician order and require that these orders are attached to an appropriate diagnosis code ID-9 to justify the order. All payors require prior authorization. Medical Care, PLLC will use Partner One, which will allow their physicians to review diagnostic studies done at other participating providers to help reduce the unnecessary duplication,

e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

The applicant is prepared to meet the staffing requirements and recommendations set forth by the American College of Radiology, including staff education and training programs.

f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

Medical Care, PLLC will begin the process to become ACR accredited immediately following installation of the MRI equipment and training of staff. The ACR accreditation should be completed within the first year of operation.

g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

Medical Care, PLLC will use IPC, a local hospitalist group for any necessary hospital admissions in the proposed area. IPC is contracted with Holston Valley in Kingsport.

h. The applicant must provide supervision and interpretation by a board certified radiologist or physician demonstrating experience and training in relevant imaging procedure, with certification by the appropriated regulatory body.

The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

Medical Care, PLLC will use National Diagnostic Imaging (NDI) for its MRI interpretation. NDI radiologists are board certified, fellowship trained, and licensed in Tennessee. Several have subspecialty in MRI and specifically neuroradiology.

In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

The applicant's service area includes Carter, Johnson, Sullivan, Unicoi, and Washington counties. With the exception of Sullivan County, all of the counties in the applicant's service area are designated as "medically underserved areas" (MUA).

b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

Not applicable.

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program;

The applicant is the largest TennCare provider in Carter County and already contracts with all TennCare MCOs.

d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast

agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

Medical Care, PLLC, a NCQA certified level 3 Patient Centered Medical Home multispecialty medical practice with 17 physicians and 14 physician extenders in specialties that include family practice, general practice, internal medicine, general surgery, gynecology, and pediatrics with office locations in Elizabethton, Hampton, and Johnson City, Tennessee. Elderly and pediatric patients account for approximately one third of all patients at Medical Care, PLLC. As one of the largest TennCare providers, the practice sees many mentally and physically disabled children in State custody. The practice cares for the brain injured residents of Crumley House and adult with intellectual and developmental disabilities at Dawn of Hope and Envision. All of these patients require longer preparation and scanning times, however, the practice does not anticipate that care of these patients will negatively affect its ability to meet the standard for MRI scans.